

DIRECT TESTIMONY

of

THERESA EBREY

Accountant  
Accounting Department  
Financial Analysis Division  
Illinois Commerce Commission

Illinois-American Water Company

Docket No. 02-0690

February 5, 2003

1    Witness Identification

2    Q.    Please state your name and business address.

3    A.    My name is Theresa Ebrey. My business address is 527 East Capitol  
4        Avenue, Springfield, Illinois 62701.

5    Q.    By whom are you employed and in what capacity?

6    A.    I am currently employed as an Accountant in the Accounting Department  
7        of the Financial Analysis Division of the Illinois Commerce Commission  
8        ("ICC" or "Commission").

9    Q.    Please describe your professional background and affiliations.

10   A.    I have a Bachelor of Science degree in Accounting from Quincy College.  
11        I am a Certified Public Accountant, licensed to practice in the State of  
12        Illinois. My prior accounting experience includes fifteen years as the  
13        corporate controller of a large long-term care facility in Illinois, as well as  
14        a period of time employed as an outside auditor of governmental  
15        agencies. I joined the Staff of the Illinois Commerce Commission  
16        ("Staff") in April 1999.

17   Q.    Have you previously testified before any regulatory bodies?

18   A.    Yes. I have testified on several occasions before the Commission.

19   Q.    What is the purpose of your testimony in this proceeding?

20 A. I have reviewed and analyzed Illinois-American Water Company's  
21 ("IAWC" or "Company") filing, and the underlying data.

22 The purpose of my testimony is to:

- 23 1) present the Commission Staff's adjusted operating statements  
24 and Rate Base for IAWC, and  
25 2) propose adjustments to the Company's operating statement  
26 and Rate Base concerning Interest Synchronization and Gross  
27 Revenue Conversion Factor.

28 Schedule Identification

29 Q. Are you sponsoring any schedules as part of ICC Staff Exhibit 1.0?

30 A. Yes. I am sponsoring the following schedules for the Company, which  
31 show data as of, or for the test year ending December 31, 2003:

32 Schedule 1.1 - Statement of Operating Income with Adjustments

33 Schedule 1.2 - Adjustments to Operating Income

34 Schedule 1.3 - Rate Base

35 Schedule 1.4 - Adjustments to Rate Base

36 Schedule 1.5 - Interest Synchronization Adjustment

37 Schedule 1.6 - Gross Revenue Conversion Factor

38 Q. What is the purpose of the letters which follow the Schedule numbers?

39 A. The letters identify rate areas as follows:

40 SPSP - Southern, Peoria, Streator, Pontiac

41 C - Champaign

42                   S       - Sterling  
43                   P       - Pekin  
44                   L       - Lincoln  
45                   CMW   - Chicago Metro Water  
46                   CMS   - Chicago Metro Sewer

47           Thus, Schedule 1.1-SPSP provides information for the Southern, Peoria,  
48           Streator, Pontiac rate area. This rate area designation is a part of each  
49           schedule number to ease identification of which rate areas are affected  
50           by specific adjustments.

51   Revenue Requirement Schedules

52   Q.     Do you have any general comments regarding the revenue requirement  
53           schedules?

54   A.     Yes, I do. The results for Sterling and Lincoln must be distinguished  
55           from the results for the other rate areas. Unlike the other rate areas, the  
56           schedules for Sterling and Lincoln show that the Company has  
57           supported the revenue increases it requested for these rate areas.  
58           These increases are set forth on line 3 of column (g) of Schedule 1.1-S  
59           and Schedule 1.1-L. Therefore, the Commission should grant the  
60           revenue increases the Company requested for Sterling and Lincoln.

61   Q.     Please describe Schedule 1.1, for each rate area, Statement of  
62           Operating Income with Adjustments.

63     A.     Schedule 1.1, for each rate area, derives the required revenue at the  
64           Staff proposed Rate of Return. Column (b) presents the Company's pro  
65           forma operating statement at present rates for the test year as reflected  
66           on its Schedule C-2. Column (c) reflects the total of all Staff Adjustments  
67           shown on Schedule 1.2. Column (d) reflects the pro forma operating  
68           statement at present rates per Staff. Column (e) presents the  
69           Company's Proposed Increase to Revenue. Column (f) adjusts revenue  
70           to reflect Staff's Gross Revenue Conversion Factor. Column (g) is  
71           Staff's pro forma operating statement inclusive of the Company's  
72           proposed revenue increase. Column (h) is the necessary reduction from  
73           the Company's proposed revenues, adjusted for Staff's Gross Revenue  
74           Conversion Factor, to arrive at Staff's computed Revenue Requirement  
75           reflected in column (i). Net Operating Income in column (i), line 27, is the  
76           product of Rate Base, line 28, and Rate of Return, line 29.

77           For all rate areas other than Sterling and Lincoln, Line 30 is the  
78           difference between current revenues and required revenues as  
79           determined by Staff. Line 31 is Staff's calculated percentage change in  
80           revenues.

81           For the Sterling and Lincoln rate areas, Line 31 is the difference between  
82           current revenues and revenues requested by the Company. Line 32 is  
83           the percentage change in revenues based on the Company's requested

84 increase. Line 30 represents the calculated Return on Staff Rate Base  
85 at the Company's requested amount of increase.

86 Q. Please describe Schedule 1.2, for each rate area, Adjustments to  
87 Operating Income.

88 A. Schedule 1.2, for each rate area, identifies Staff's adjustment to  
89 Operating Income. The source of each adjustment is shown in the  
90 heading of each column. For comparability between the different rate  
91 areas, columns for every adjustment to Operating Income proposed by  
92 Staff witnesses appear on all Schedules 1.2; however, the column is  
93 designated as "(Not Applicable)" for those rate areas not affected by a  
94 given adjustment. Column (ag) from page 4 is carried forward to  
95 Schedule 1.1, column (c).

96 Q. Please describe Schedule 1.3, for each rate area, Rate Base.

97 A. Schedule 1.3, for each rate area, compiles Staff's Rate Base. Column  
98 (b) reflects the Company's proposed Rate Base. Column (c)  
99 summarizes Staff's adjustment to Rate Base. Column (d) is the net of  
100 columns (b) and (c), and reflects Staff's computed Rate Base.

101 Q. Please describe Schedule 1.4, for each rate area, Adjustments to Rate  
102 Base.

103 A. Schedule 1.4, for each rate area, identifies Staff's adjustments to Rate  
104 Base. For comparability between the different rate areas, columns for  
105 every adjustment to Rate Base proposed by Staff witnesses appear on  
106 all Schedules 1.4; however, the column is designated as "(Not  
107 Applicable)" for those rate areas not affected by a given adjustment.  
108 Column (q) from page 2 is carried forward to Schedule 1.3, column (c).

109 Interest Synchronization

110 Q. Please describe Schedule 1.5, for each rate area, Interest  
111 Synchronization Adjustment.

112 A. Schedule 1.5, for each rate area, computes the interest component of  
113 Revenue Requirement. The Interest expense (component) is computed  
114 by multiplying the Rate Base by Weighted Cost of Debt. The calculated  
115 Interest Expense is then compared against the Interest Expense used by  
116 the Company in its computation of test year Income Tax Expense. The  
117 tax effect of the difference in Interest Expense is the adjustment for  
118 Interest Synchronization. The effect of this adjustment is to ensure that  
119 the Revenue Requirement reflects the tax savings generated by the  
120 interest component of Revenue Requirement.

121 Gross Revenue Conversion Factor

122 Q. Please describe Schedule 1.6, for each rate area, Gross Revenue  
123 Conversion Factor.

124 A. Schedule 1.6, for each rate area, presents Staff's proposed Gross  
125 Revenue Conversion Factor ("GRCF"). The GRCF is multiplied by the  
126 income deficiency to determine the total amount of revenue required for  
127 the income deficiency and the associated increase in income tax  
128 expense and uncollectible expense. The GRCF is used in the  
129 calculation of the Revenue Requirement in columns (F) through (H) of  
130 Schedule 1.1.

131 Conclusion

132 Q. Does this question end your prepared direct testimony?

133 A. Yes.



[illegible]

**Illinois-American Water Company**  
**Adjustments to Operating Income**  
For the Test Year Ending December 31, 2003  
Southern/Peoria/Streator/Pontiac

Line No.	Description	Interest Synchronization (Staff Ex. 1.0 Sch. 1.5-SPSP)	Reverse Osmosis (Staff Ex. 2.0 Sch. 2.1-SPSP)	Incentive Compensation (Staff Ex. 2.0 Sch. 2.2-SPSP)	Non-Cost of Capital Savings Sharing (Staff Ex. 2.0 Sch. 2.3-SPSP)	Cost of Capital Savings Sharing (Staff Ex. 2.0 Sch. 2.4-SPSP)	Lobbying Expense (Staff Ex. 2.0 Sch. 2.5-SPSP)	Tax Expense (Staff Ex. 3.0 Sch. 3.1-SPSP)	Subtotal Operating Statement Adjustments
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1	Operating Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2		-	-	-	-	-	-	-	-
3	Total Operating Revenue	-	-	-	-	-	-	-	-
4	Uncollectible Accounts Expense	-	-	-	-	-	-	-	-
5	Labor	-	-	(270,481)	-	-	-	-	(270,481)
6	Fuel & Power	-	-	-	-	-	-	-	-
7	Chemicals	-	-	-	-	-	-	-	-
8	Waste Disposal	-	-	-	-	-	-	-	-
9	Management Fees	-	-	(109,454)	-	-	(7,697)	-	(117,151)
10	Group Insurance	-	-	-	-	-	-	-	-
11	Pensions	-	-	-	-	-	-	-	-
12	Regulatory Expense	-	-	-	-	-	-	-	-
13	Insurance - other	-	-	-	-	-	-	-	-
14	Customer Accounting	-	-	-	-	-	-	-	-
15	Rents	-	-	-	-	-	-	-	-
16	General Office Expense	-	-	-	-	-	-	-	-
17	Maintenance - other	-	-	-	-	-	-	-	-
18	Miscellaneous	-	-	(15,217)	(4,086)	114,583	(24,994)	-	70,286
19	Depreciation & Amortization	-	(95,967)	-	-	-	-	-	(95,967)
20	Taxes other than Income	-	-	-	-	-	-	-	-
21	Total Operating Expense	-	-	-	-	-	-	-	-
22	Before Income Taxes	-	(95,967)	(395,152)	(4,086)	114,583	(32,691)	-	(413,313)
23	State Income Tax	34,614	3,809	15,684	162	(4,548)	1,298	(175,536)	(124,517)
24	Federal Income Tax	293,127	32,255	132,814	1,373	(38,512)	10,988	61,868	493,913
25	ITCs Net	-	-	-	-	-	-	-	-
26	Total Operating Expense:	327,741	(59,903)	(246,654)	(2,551)	71,523	(20,405)	(113,668)	(43,917)
27	NET OPERATING INCOME	\$ (327,741)	\$ 59,903	\$ 246,654	\$ 2,551	\$ (71,523)	\$ 20,405	\$ 113,668	\$ 43,917

**Illinois-American Water Company**  
**Adjustments to Operating Income**  
For the Test Year Ending December 31, 2003  
Southern/Peoria/Streator/Pontiac

Line No.	Description	Subtotal Operating Statement Adjustments	Reallocate Power Expense (Not Applicable)	Reallocate Chemical Expense (Not Applicable)	Power Expense (Staff Ex. 3.0 Sch. 3.5-SPSP)	Chemical Expense (Staff Ex. 3.0 Sch. 3.6-SPSP)	Security Costs (Staff Ex. 4.0 Sch. 4.1-SPSP)	Disallowance of Deferred Security Costs (Staff Ex. 4.0 Sch. 4.2-SPSP)	Subtotal Operating Statement Adjustments
	(a)	(j)	(k)	(l)	(m)	(n)	(o)	(p)	(q)
1	Operating Revenue	\$ -	\$ -	\$ -				\$ -	\$ -
2		-	-	-	-	-	-	-	-
3	Total Operating Revenue	-	-	-	-	-	-	-	-
4	Uncollectible Accounts Expense	-	-	-	-	-	-	-	-
5	Labor	(270,481)	-	-	-	-	-	-	(270,481)
6	Fuel & Power	-	-	-	(68,299)	-	-	-	(68,299)
7	Chemicals	-	-	-	-	(372,068)	-	-	(372,068)
8	Waste Disposal	-	-	-	-	-	-	-	-
9	Management Fees	(117,151)	-	-	-	-	-	-	(117,151)
10	Group Insurance	-	-	-	-	-	-	-	-
11	Pensions	-	-	-	-	-	-	-	-
12	Regulatory Expense	-	-	-	-	-	-	-	-
13	Insurance - other	-	-	-	-	-	-	-	-
14	Customer Accounting	-	-	-	-	-	-	-	-
15	Rents	-	-	-	-	-	-	-	-
16	General Office Expense	-	-	-	-	-	-	-	-
17	Maintenance - other	-	-	-	-	-	(980,720)	-	(980,720)
12	Miscellaneous	70,286	-	-	-	-	-	-	70,286
13	Depreciation & Amortization	(95,967)	-	-	-	-	-	(1,606,079)	(1,702,046)
14	Taxes other than Income	-	-	-	-	-	-	-	-
15	Total Operating Expense								
16	Before Income Taxes	(413,313)	-	-	(68,299)	(372,068)	(980,720)	(1,606,079)	(3,440,479)
17	State Income Tax	(124,517)	-	-	2,711	14,767	38,925	63,745	(4,369)
18	Federal Income Tax	493,913	-	-	22,956	125,055	329,629	539,818	1,511,371
19	ITCs Net	-	-	-	-	-	-	-	-
20	Total Operating Expense:	(43,917)	-	-	(42,632)	(232,246)	(612,166)	(1,002,516)	(1,933,477)
21	NET OPERATING INCOME	\$ 43,917	\$ -	\$ -	\$ 42,632	\$ 232,246	\$ 612,166	\$ 1,002,516	\$ 1,933,477

**Illinois-American Water Company**  
**Adjustments to Operating Income**  
For the Test Year Ending December 31, 2003  
Southern/Peoria/Streator/Pontiac

Line No.	Description	Subtotal Operating Statement Adjustments	New Depreciation Rates (Staff Ex. 4.0 Sch. 4.3-SPSP)	Additions to Plant in Service (Staff Ex. 4.0 Sch. 4.4-SPSP)	Normalize Tank Painting Expense (Staff Ex. 4.0 Sch. 4.5-SPSP)	Deferred Tank Painting (Staff Ex. 4.0 Sch. 4.6-SPSP)	Purchased Water (Not Applicable)	Waste Disposal Surcharge (Not Applicable)	Subtotal Operating Statement Adjustments
	(a)	(r)	(s)	(t)	(u)	(v)	(w)	(x)	(y)
1	Operating Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2		-	-	-	-	-	-	-	-
3	Total Operating Revenue	-	-	-	-	-	-	-	-
4	Uncollectible Accounts Expense	-	-	-	-	-	-	-	-
5	Labor	(270,481)	-	-	-	-	-	-	(270,481)
6	Fuel & Power	(68,299)	-	-	-	-	-	-	(68,299)
7	Chemicals	(372,068)	-	-	-	-	-	-	(372,068)
8	Waste Disposal	-	-	-	-	-	-	-	-
9	Management Fees	(117,151)	-	-	-	-	-	-	(117,151)
10	Group Insurance	-	-	-	-	-	-	-	-
11	Pensions	-	-	-	-	-	-	-	-
12	Regulatory Expense	-	-	-	-	-	-	-	-
13	Insurance - other	-	-	-	-	-	-	-	-
14	Customer Accounting	-	-	-	-	-	-	-	-
15	Rents	-	-	-	-	-	-	-	-
16	General Office Expense	-	-	-	-	-	-	-	-
17	Maintenance - other	(980,720)	-	-	(1,126,334)	-	-	-	(2,107,054)
12	Miscellaneous	70,286	-	-	-	-	-	-	70,286
13	Depreciation & Amortization	(1,702,046)	291,964	(24,636)	-	70,171	-	-	(1,364,547)
14	Taxes other than Income	-	-	-	-	-	-	-	-
15	Total Operating Expense								
16	Before Income Taxes	(3,440,479)	291,964	(24,636)	(1,126,334)	70,171	-	-	(4,229,314)
17	State Income Tax	(4,369)	(11,588)	978	44,704	(2,785)	-	-	26,940
18	Federal Income Tax	1,511,371	(98,132)	8,280	378,571	(23,585)	-	-	1,776,505
19	ITCs Net	-	-	-	-	-	-	-	-
20	Total Operating Expense:	(1,933,477)	182,244	(15,378)	(703,059)	43,801	-	-	(2,425,869)
21	NET OPERATING INCOME	\$ 1,933,477	\$ (182,244)	\$ 15,378	\$ 703,059	\$ (43,801)	\$ -	\$ -	\$ 2,425,869

**Illinois-American Water Company**  
**Adjustments to Operating Income**  
For the Test Year Ending December 31, 2003  
Southern/Peoria/Streator/Pontiac

Line No.	Description	Subtotal Operating Statement Adjustments	Waste Disposal Contract (Not Applicable)	Rents (Staff Ex. 5.0 Sch. 5.6-SPSP)	Charitable Contributions (Staff Ex. 5.0 Sch. 5.7-SPSP)	Community Relations (Staff Ex. 5.0 Sch. 5.8-SPSP)	Advertising (Staff Ex. 5.0 Sch. 5.9-SPSP)	Industry Association Dues (Staff Ex. 5.0 Sch. 5.10-SPSP)	Subtotal Operating Statement Adjustments
	(a)	(z)	(aa)	(ab)	(ac)	(ad)	(ae)	(af)	(ag)
1	Operating Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2		-	-	-	-	-	-	-	-
3	Total Operating Revenue	-	-	-	-	-	-	-	-
4	Uncollectible Accounts Expense	-	-	-	-	-	-	-	-
5	Labor	(270,481)	-	-	-	-	-	-	(270,481)
6	Fuel & Power	(68,299)	-	-	-	-	-	-	(68,299)
7	Chemicals	(372,068)	-	-	-	-	-	-	(372,068)
8	Waste Disposal	-	-	-	-	-	-	-	-
9	Management Fees	(117,151)	-	-	-	-	-	-	(117,151)
10	Group Insurance	-	-	-	-	-	-	-	-
11	Pensions	-	-	-	-	-	-	-	-
12	Regulatory Expense	-	-	-	-	-	-	-	-
13	Insurance - other	-	-	-	-	-	-	-	-
14	Customer Accounting	-	-	-	-	-	-	-	-
15	Rents	-	-	(34,138)	-	-	-	-	(34,138)
16	General Office Expense	-	-	-	-	-	-	-	-
17	Maintenance - other	(2,107,054)	-	-	-	-	-	-	(2,107,054)
12	Miscellaneous	70,286	-	-	(4,946)	(60,846)	(34,398)	(28,816)	(58,720)
13	Depreciation & Amortization	(1,364,547)	-	-	-	-	-	-	(1,364,547)
14	Taxes other than Income	-	-	-	-	-	-	-	-
15	Total Operating Expense	-	-	-	-	-	-	-	-
16	Before Income Taxes	(4,229,314)	-	(34,138)	(4,946)	(60,846)	(34,398)	(28,816)	(4,392,458)
17	State Income Tax	26,940	-	1,355	196	2,415	1,365	1,144	33,415
18	Federal Income Tax	1,776,505	-	11,474	1,662	20,451	11,561	9,685	1,831,338
19	ITCs Net	-	-	-	-	-	-	-	-
20	Total Operating Expense:	(2,425,869)	-	(21,309)	(3,088)	(37,980)	(21,472)	(17,987)	(2,527,705)
21	NET OPERATING INCOME	\$ 2,425,869	\$ -	\$ 21,309	\$ 3,088	\$ 37,980	\$ 21,472	\$ 17,987	\$ 2,527,705

**Illinois-American Water Company**  
**Southern/Peoria/Streator/Pontiac**  
**Rate Base**  
For the Test Year Ending December 31, 2003

Line No.	Description	Company Pro Forma Rate Base (Company Schedule B-2)	Staff Adjustments (Staff Ex. 1.0 Sch 1.4-SPSP)	Staff Pro Forma Rate Base (Col. b+c)
	(a)	(b)	(c)	(d)
1	Utility Plant in Service	\$ 408,604,925	\$ (664,041)	\$ 407,940,884
2	FAS 109 Reg. Asset-Net of Liability	769,529	-	769,529
3	Less: Accumulated Depreciation	<u>(122,822,292)</u>	<u>(135,364)</u>	<u>(122,957,656)</u>
4	Net Plant	286,552,162	(799,405)	285,752,757
5	Additions to Rate Base			
6	Cash Working Capital	5,533,016	(378,489)	5,154,527
7	Materials & Supplies	831,365	(51,431)	779,934
8	Deferred Charges	8,580,871	(6,259,885)	2,320,986
9	Savings/Sharing	-	-	-
10				
11				
12				
13				
14				
15				
16	Deductions From Rate Base			
17	Contributions in Aid of Construction	(26,900,130)	-	(26,900,130)
18	Accum. Depr. On CIAC	6,665,365	1,699	6,667,064
19	Customer Advances	(11,488,367)	-	(11,488,367)
20	Deferred Federal Income Tax	(10,419,474)	2,507,023	(7,912,451)
21	Deferred State Income Tax	(2,516,008)	348,451	(2,167,557)
22	Investment Tax Credit - pre 197	<u>(33,135)</u>	<u>-</u>	<u>(33,135)</u>
23	Rate Base	<u>\$ 256,805,665</u>	<u>\$ (4,632,037)</u>	<u>\$ 252,173,628</u>

**Illinois-American Water Company**  
**Adjustments to Rate Base**  
For the Test Year Ending December 31, 2003  
Southern/Peoria/Streator/Pontiac

Line No.	Description	Reverse Osmosis (Staff Ex. 2.0 Sch. 2.1-SPSP)	Accumulated Deferred Taxes (Staff Ex. 3.0 Sch. 3.2-SPSP)	Disallowance of Deferred Security Costs (Staff Ex. 4.0 Sch. 4.2-SPSP)	New Depreciation Rates (Staff Ex. 4.0 Sch. 4.3-SPSP)	Additions to Plant in Service (Staff Ex. 4.0 Sch. 4.4-SPSP)	Deferred Tank Painting (Staff Ex. 4.0 Sch. 4.6-SPSP)	Working Capital (Staff Ex. 5.0 Sch. 5.1-SPSP)	Subtotal Rate Base Adjustments
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1	Utility Plant in Service	\$ -	\$ -	\$ -	\$ -	\$ (664,041)	\$ -	\$ -	\$ (664,041)
2	FAS 109 Reg. Asset-Net of Liability	-	-	-	-	-	-	-	-
3	Less: Accumulated Depreciation	-	-	-	(147,682)	12,318	-	-	(135,364)
4	Net Plant	-	-	-	(147,682)	(651,723)	-	-	(799,405)
5	Additions to Rate Base								
6	Cash Working Capital	-	-	-	-	-	-	(378,489)	(378,489)
7	Materials & Supplies	-	-	-	-	-	-	-	-
8	Deferred Charges	(383,869)	-	(6,370,804)	-	-	494,788	-	(6,259,885)
9	Savings/Sharing	-	-	-	-	-	-	-	-
10		-	-	-	-	-	-	-	-
11		-	-	-	-	-	-	-	-
12		-	-	-	-	-	-	-	-
13		-	-	-	-	-	-	-	-
14		-	-	-	-	-	-	-	-
15		-	-	-	-	-	-	-	-
16	Deductions From Rate Base	-	-	-	-	-	-	-	-
17	Contributions in Aid of Construction	-	-	-	-	-	-	-	-
18	Accum. Depr. On CIAC	-	-	-	1,699	-	-	-	1,699
19	Customer Advances	-	-	-	-	-	-	-	-
20	Deferred Federal Income Taxes	-	527,901	2,141,285	-	4,140	(166,303)	-	2,507,023
21	Seferred State Income Taxes	-	115,273	252,284	-	488	(19,594)	-	348,451
22	Investment Tax Credit - pre 1971	-	-	-	-	-	-	-	-
23	Rate Base	\$ (383,869)	\$ 643,174	\$ (3,977,235)	\$ (145,983)	\$ (647,095)	\$ 308,891	\$ (378,489)	\$ (4,580,606)

**Illinois-American Water Company**  
**Adjustments to Rate Base**  
For the Test Year Ending December 31, 2003  
Southern/Peoria/Streator/Pontiac

Line No.	Description	Subtotal Rate Base Adjustments	Materials & Supplies (Staff Ex. 5.0 Sch. 5.2-SPSP)	(Source)	(Source)	(Source)	(Source)	(Source)	Subtotal Rate Base Adjustments
	(a)	(j)	(k)	(l)	(m)	(n)	(o)	(p)	(q)
1	Utility Plant in Service	\$ (664,041)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (664,041)
2	FAS 109 Reg. Asset-Net of Liability	-	-	-	-	-	-	-	-
3	Less: Accumulated Depreciation	(135,364)	-	-	-	-	-	-	(135,364)
4	Net Plant	(799,405)	-	-	-	-	-	-	(799,405)
5	Additions to Rate Base	-	-	-	-	-	-	-	-
6	Cash Working Capital	(378,489)	-	-	-	-	-	-	(378,489)
7	Materials & Supplies	-	(51,431)	-	-	-	-	-	(51,431)
8	Deferred Charges	(6,259,885)	-	-	-	-	-	-	(6,259,885)
9	Savings/Sharing	-	-	-	-	-	-	-	-
10		-	-	-	-	-	-	-	-
11		-	-	-	-	-	-	-	-
12		-	-	-	-	-	-	-	-
13		-	-	-	-	-	-	-	-
14		-	-	-	-	-	-	-	-
15		-	-	-	-	-	-	-	-
16	Deductions From Rate Base	-	-	-	-	-	-	-	-
17	Contributions in Aid of Construction	-	-	-	-	-	-	-	-
18	Accum. Depr. On CIAC	1,699	-	-	-	-	-	-	1,699
19	Customer Advances	-	-	-	-	-	-	-	-
20	Deferred Federal Income Taxes	2,507,023	-	-	-	-	-	-	2,507,023
21	Seferred State Income Taxes	348,451	-	-	-	-	-	-	348,451
22	Investment Tax Credit - pre 1971	-	-	-	-	-	-	-	-
23	Rate Base	\$ (4,580,606)	\$ (51,431)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (4,632,037)



Illinois-American Water Company  
Interest Synchronization Adjustment  
For the Test Year Ending December 31, 2003  
Southern/Peoria/Streator/Pontiac

Line No.	Description	Amount
	(a)	(b)
1	Utility Plant in Service	\$ 252,173,628 (1)
2	Weighted Cost of Debt	2.75% (2)
3	Synchronized Interest Per Staff	6,934,775
4	Company Interest Expense	<u>7,806,893</u> (3)
5	Increase (Decrease) in Interest Expense	<u>(872,118)</u>
6	Increase (Decrease) in State Income Tax Expense	
7	at 3.969%	<u>\$ 34,614</u>
8	Increase (Decrease) in Federal Income Tax Expense	
9	at 35.000%	<u>\$ 293,127</u>

(1) Source: ICC Staff Ex. 1.0, Schedule 1.3-SPSP, Column (d).

(2) Source: ICC Staff Exhibit 6.0, Schedule 6.01.

(3) Source: Company Exhibit 12, Schedule C-5, page 3 of 9.

Illinois-American Water Company  
Gross Revenue Conversion Factor  
For the Test Year Ending December 31, 2003  
Southern/Peoria/Streator/Pontiac

Line No.	Description	Rate	Per Staff With Bad Debts	Per Staff Without Bad Debts
	(a)	(b)	(c)	(d)
1	Revenues		1.000000	
2	Uncollectibles	0.6050%	<u>0.006050</u>	
3	State Taxable Income		0.993950	1.000000
4	State Income Tax	3.9690%	<u>0.039450</u>	<u>0.039690</u>
5	Federal Taxable Income		0.954500	0.960310
6	Federal Income Tax	35.0000%	<u>0.334075</u>	<u>0.336109</u>
7	Operating Income		<u>0.620425</u>	<u>0.624201</u>
8	Gross Revenue Conversion Factor Per Staff		<u>1.611798</u>	<u>1.602048</u>

**Illinois-American Water Company**  
**Champaign**  
**Statement of Operating Income with Adjustments**  
**For the Test Year Ending December 31, 2003**

[illegible]

**Illinois-American Water Company**  
**Adjustments to Operating Income**  
For the Test Year Ending December 31, 2003  
Champaign

Line No.	Description	Interest Synchronization (Staff Ex. 1.0 Sch. 1.5-C)	Reverse Osmosis (Not Applicable)	Incentive Compensation (Staff Ex. 2.0 Sch. 2.2-C)	Non-Cost of Capital Savings Sharing (Staff Ex. 2.0 Sch. 2.3-C)	Cost of Capital Savings Sharing (Staff Ex. 2.0 Sch. 2.4-C)	Lobbying Expense (Staff Ex. 2.0 Sch. 2.5-C)	Tax Expense (Staff Ex. 3.0 Sch. 3.1-C)	Subtotal Operating Statement Adjustments
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1	Operating Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2		-	-	-	-	-	-	-	-
3	Total Operating Revenue	-	-	-	-	-	-	-	-
4	Uncollectible Accounts Expense	-	-	-	-	-	-	-	-
5	Labor	-	-	(86,592)	-	-	-	-	(86,592)
6	Fuel & Power	-	-	-	-	-	-	-	-
7	Chemicals	-	-	-	-	-	-	-	-
8	Waste Disposal	-	-	-	-	-	-	-	-
9	Management Fees	-	-	(35,040)	-	-	(7,697)	-	(42,737)
10	Group Insurance	-	-	-	-	-	-	-	-
11	Pensions	-	-	-	-	-	-	-	-
12	Regulatory Expense	-	-	-	-	-	-	-	-
13	Insurance - other	-	-	-	-	-	-	-	-
14	Customer Accounting	-	-	-	-	-	-	-	-
15	Rents	-	-	-	-	-	-	-	-
16	General Office Expense	-	-	-	-	-	-	-	-
17	Maintenance - other	-	-	-	-	-	-	-	-
18	Miscellaneous	-	-	(4,872)	(1,308)	21,484	(8,001)	-	7,303
19	Depreciation & Amortization	-	-	-	-	-	-	-	-
20	Taxes other than Income	-	-	-	-	-	-	-	-
21	Total Operating Expense	-	-	-	-	-	-	-	-
22	Before Income Taxes	-	-	(126,504)	(1,308)	21,484	(15,698)	-	(122,026)
23	State Income Tax	5,679	-	5,021	52	(853)	623	(38,194)	(27,672)
24	Federal Income Tax	48,092	-	42,519	440	(7,221)	5,276	(21,164)	67,942
25	Deferred Taxes and ITCs Net	-	-	-	-	-	-	-	-
26	Total Operating Expense:	53,771	-	(78,964)	(816)	13,410	(9,799)	(59,358)	(81,756)
27	NET OPERATING INCOME	\$ (53,771)	\$ -	\$ 78,964	\$ 816	\$ (13,410)	\$ 9,799	\$ 59,358	\$ 81,756

**Illinois-American Water Company**  
**Adjustments to Operating Income**  
For the Test Year Ending December 31, 2003  
Champaign

Line No.	Description	Subtotal Operating Statement Adjustments	Reallocate Power Expense (Not Applicable)	Reallocate Chemical Expense (Not Applicable)	Power Expense (Staff Ex. 3.0 Sch. 3.5-C)	Chemical Expense (Staff Ex. 3.0 Sch. 3.6-C)	Security Costs (Staff Ex. 4.0 Sch. 4.1-C)	Disallowance of Deferred Security Costs (Staff Ex. 4.0 Sch. 4.2-C)	Subtotal Operating Statement Adjustments
	(a)	(j)	(k)	(l)	(m)	(n)	(o)	(p)	(q)
1	Operating Revenue	\$ -	\$ -	\$ -				\$ -	\$ -
2		-	-	-	-	-	-	-	-
3	Total Operating Revenue	-	-	-	-	-	-	-	-
4	Uncollectible Accounts Expense	-	-	-	-	-	-	-	-
5	Labor	(86,592)	-	-	-	-	-	-	(86,592)
6	Fuel & Power	-	-	-	(28,532)	-	-	-	(28,532)
7	Chemicals	-	-	-	-	6,245	-	-	6,245
8	Waste Disposal	-	-	-	-	-	-	-	-
9	Management Fees	(42,737)	-	-	-	-	-	-	(42,737)
10	Group Insurance	-	-	-	-	-	-	-	-
11	Pensions	-	-	-	-	-	-	-	-
12	Regulatory Expense	-	-	-	-	-	-	-	-
13	Insurance - other	-	-	-	-	-	-	-	-
14	Customer Accounting	-	-	-	-	-	-	-	-
15	Rents	-	-	-	-	-	-	-	-
16	General Office Expense	-	-	-	-	-	-	-	-
17	Maintenance - other	-	-	-	-	-	(223,033)	-	(223,033)
12	Miscellaneous	7,303	-	-	-	-	-	-	7,303
13	Depreciation & Amortization	-	-	-	-	-	-	(301,141)	(301,141)
14	Taxes other than Income	-	-	-	-	-	-	-	-
15	Total Operating Expense								
16	Before Income Taxes	(122,026)	-	-	(28,532)	6,245	(223,033)	(301,141)	(668,487)
17	State Income Tax	(27,672)	-	-	1,132	(248)	8,852	11,952	(5,984)
18	Federal Income Tax	67,942	-	-	9,590	(2,099)	74,963	101,216	251,612
19	Deferred Taxes and ITCs Net	-	-	-	-	-	-	-	-
20	Total Operating Expense:	(81,756)	-	-	(17,810)	3,898	(139,218)	(187,973)	(422,859)
21	NET OPERATING INCOME	\$ 81,756	\$ -	\$ -	\$ 17,810	\$ (3,898)	\$ 139,218	\$ 187,973	\$ 422,859

**Illinois-American Water Company**  
**Adjustments to Operating Income**  
For the Test Year Ending December 31, 2003  
Champaign

Line No.	Description	Subtotal Operating Statement Adjustments	New Depreciation Rates (Staff Ex. 4.0 Sch. 4.3-C)	Additions to Plant in Service (Staff Ex. 4.0 Sch. 4.4-C)	Normalize Tank Painting Expense (Staff Ex. 4.0 Sch. 4.5-C)	Deferred Tank Painting (Staff Ex. 4.0 Sch. 4.6-C)	Purchased Water (Not Applicable)	Waste Disposal Surcharge (Not Applicable)	Subtotal Operating Statement Adjustments
	(a)	(r)	(s)	(t)	(u)	(v)	(w)	(x)	(y)
1	Operating Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2		-	-	-	-	-	-	-	-
3	Total Operating Revenue	-	-	-	-	-	-	-	-
4	Uncollectible Accounts Expense	-	-	-	-	-	-	-	-
5	Labor	(86,592)	-	-	-	-	-	-	(86,592)
6	Fuel & Power	(28,532)	-	-	-	-	-	-	(28,532)
7	Chemicals	6,245	-	-	-	-	-	-	6,245
8	Waste Disposal	-	-	-	-	-	-	-	-
9	Management Fees	(42,737)	-	-	-	-	-	-	(42,737)
10	Group Insurance	-	-	-	-	-	-	-	-
11	Pensions	-	-	-	-	-	-	-	-
12	Regulatory Expense	-	-	-	-	-	-	-	-
13	Insurance - other	-	-	-	-	-	-	-	-
14	Customer Accounting	-	-	-	-	-	-	-	-
15	Rents	-	-	-	-	-	-	-	-
16	General Office Expense	-	-	-	-	-	-	-	-
17	Maintenance - other	(223,033)	-	-	(209,849)	-	-	-	(432,882)
12	Miscellaneous	7,303	-	-	-	-	-	-	7,303
13	Depreciation & Amortization	(301,141)	715,051	35,724	-	1,307	-	-	450,941
14	Taxes other than Income	-	-	-	-	-	-	-	-
15	Total Operating Expense	-	-	-	-	-	-	-	-
16	Before Income Taxes	(668,487)	715,051	35,724	(209,849)	1,307	-	-	(126,254)
17	State Income Tax	(5,984)	(28,380)	(1,418)	8,329	(52)	-	-	(27,505)
18	Federal Income Tax	251,612	(240,335)	(12,007)	70,532	(439)	-	-	69,363
19	Deferred Taxes and ITCs Net	-	-	-	-	-	-	-	-
20	Total Operating Expense:	(422,859)	446,336	22,299	(130,988)	816	-	-	(84,396)
21	NET OPERATING INCOME	\$ 422,859	\$ (446,336)	\$ (22,299)	\$ 130,988	\$ (816)	\$ -	\$ -	\$ 84,396

**Illinois-American Water Company**  
**Adjustments to Operating Income**  
For the Test Year Ending December 31, 2003  
Champaign

Line No.	Description	Subtotal Operating Statement Adjustments	Waste Disposal Contract (Staff Ex. 5.0 Sch. 5.5-C)	Rents (Staff Ex. 5.0 Sch. 5.6-C)	Charitable Contributions (Staff Ex. 5.0 Sch. 5.7-C)	Community Relations (Staff Ex. 5.0 Sch. 5.8-C)	Advertising (Not Applicable)	Industry Association Dues (Staff Ex. 5.0 Sch. 5.10-C)	Total Operating Statement Adjustments
	(a)	(z)	(aa)	(ab)	(ac)	(ad)	(ae)	(af)	(ag)
1	Operating Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2		-	-	-	-	-	-	-	-
3	Total Operating Revenue	-	-	-	-	-	-	-	-
4	Uncollectible Accounts Expense	-	-	-	-	-	-	-	-
5	Labor	(86,592)	-	-	-	-	-	-	(86,592)
6	Fuel & Power	(28,532)	-	-	-	-	-	-	(28,532)
7	Chemicals	6,245	-	-	-	-	-	-	6,245
8	Waste Disposal	-	(2,754)	-	-	-	-	-	(2,754)
9	Management Fees	(42,737)	-	-	-	-	-	-	(42,737)
10	Group Insurance	-	-	-	-	-	-	-	-
11	Pensions	-	-	-	-	-	-	-	-
12	Regulatory Expense	-	-	-	-	-	-	-	-
13	Insurance - other	-	-	-	-	-	-	-	-
14	Customer Accounting	-	-	-	-	-	-	-	-
15	Rents	-	-	(7,416)	-	-	-	-	(7,416)
16	General Office Expense	-	-	-	-	-	-	-	-
17	Maintenance - other	(432,882)	-	-	-	-	-	-	(432,882)
12	Miscellaneous	7,303	-	-	(1,584)	(21,065)	-	(19,145)	(34,491)
13	Depreciation & Amortization	450,941	-	-	-	-	-	-	450,941
14	Taxes other than Income	-	-	-	-	-	-	-	-
15	Total Operating Expense	-	-	-	-	-	-	-	-
16	Before Income Taxes	(126,254)	(2,754)	(7,416)	(1,584)	(21,065)	-	(19,145)	(178,218)
17	State Income Tax	(27,505)	109	294	63	836	-	760	(25,443)
18	Federal Income Tax	69,363	926	2,493	532	7,080	-	6,435	86,829
19	Deferred Taxes and ITCs Net	-	-	-	-	-	-	-	-
20	Total Operating Expense:	(84,396)	(1,719)	(4,629)	(989)	(13,149)	-	(11,950)	(116,832)
21	NET OPERATING INCOME	\$ 84,396	\$ 1,719	\$ 4,629	\$ 989	\$ 13,149	\$ -	\$ 11,950	\$ 116,832

**Illinois-American Water Company**  
**Champaign**  
**Rate Base**  
For the Test Year Ending December 31, 2003

Line No.	Description	Company Pro Forma Present (Company Schedule B-2)	Staff Adjustments (Staff Ex. 1.0 Sch 1.4-C)	Staff Pro Forma Rate Base (Col. b+c)
	(a)	(b)	(c)	(d)
1	Utility Plant in Service	\$ 89,355,354	\$ 947,239	\$ 90,302,593
2	FAS 109 Reg. Asset-Net of Liability	246,357	-	246,357
3	Less: Accumulated Depreciation	(27,685,349)	(378,879)	(28,064,228)
4	Net Plant	61,916,362	568,360	62,484,722
5	Additions to Rate Base			
6	Cash Working Capital	2,017,270	(116,206)	1,901,064
7	Materials & Supplies	651,727	(40,358)	611,369
8	Deferred Charges	1,863,856	(1,185,057)	678,799
9	Savings/Sharing	-	-	-
10		-	-	-
11		-	-	-
12		-	-	-
13		-	-	-
14		-	-	-
15		-	-	-
16	Deductions From Rate Base			
17	Contributions in Aid of Construction	(11,516,356)	-	(11,516,356)
18	Accum. Depr. On CIAC	2,855,869	3,492	2,859,361
19	Customer Advances	(5,476,609)	-	(5,476,609)
20	Deferred Federal Income Tax	(3,335,700)	561,308	(2,774,392)
21	Deferred State Income Tax	(805,477)	83,125	(722,352)
22	Investment Tax Credit - pre 197	(19,662)	-	(19,662)
23	Rate Base	<u>\$ 48,151,280</u>	<u>\$ (125,336)</u>	<u>\$ 48,025,944</u>



**Illinois-American Water Company**  
**Adjustments to Rate Base**  
For the Test Year Ending December 31, 2003  
Champaign

Line No.	Description	Reverse Osmosis (Not Applicable)	Accumulated Deferred Taxes (Staff Ex. 3.0 Sch. 3.2-C)	Disallowance of Deferred Security Costs (Staff Ex. 4.0 Sch. 4.2-C)	New Depreciation Rates (Staff Ex. 4.0 Sch. 4.3-C)	Additions to Plant in Service (Staff Ex. 4.0 Sch. 4.4-C)	Deferred Tank Painting (Staff Ex. 4.0 Sch. 4.6-C)	Working Capital (Staff Ex. 5.0 Sch. 5.1-C)	Subtotal Rate Base Adjustments
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1	Utility Plant in Service	\$ -	\$ -	\$ -	\$ -	\$ 947,239	\$ -	\$ -	\$ 947,239
2	FAS 109 Reg. Asset-Net of Liability	-	-	-	-	-	-	-	-
3	Less: Accumulated Depreciation	-	-	-	(361,017)	(17,862)	-	-	(378,879)
4	Net Plant	-	-	-	(361,017)	929,377	-	-	568,360
5	Additions to Rate Base								
6	Cash Working Capital	-	-	-	-	-	-	(116,206)	(116,206)
7	Materials & Supplies	-	-	-	-	-	-	-	-
8	Deferred Charges	-	-	(1,194,531)	-	-	9,474	-	(1,185,057)
9	Savings/Sharing	-	-	-	-	-	-	-	-
10		-	-	-	-	-	-	-	-
11		-	-	-	-	-	-	-	-
12		-	-	-	-	-	-	-	-
13		-	-	-	-	-	-	-	-
14		-	-	-	-	-	-	-	-
15		-	-	-	-	-	-	-	-
16	Deductions From Rate Base	-	-	-	-	-	-	-	-
17	Contributions in Aid of Construction	-	-	-	-	-	-	-	-
18	Accum. Depr. On CIAC	-	-	-	3,492	-	-	-	3,492
19	Customer Advances	-	-	-	-	-	-	-	-
20	Deferred Federal Income Taxes	-	169,003	401,493	-	(6,004)	(3,184)	-	561,308
21	Seferred State Income Taxes	-	36,904	47,303	-	(707)	(375)	-	83,125
22	Investment Tax Credit - pre 1971	-	-	-	-	-	-	-	-
23	Rate Base	\$ -	\$ 205,907	\$ (745,735)	\$ (357,525)	\$ 922,666	\$ 5,915	\$ (116,206)	\$ (84,978)

**Illinois-American Water Company**  
**Adjustments to Rate Base**  
For the Test Year Ending December 31, 2003  
Champaign

Line No.	Description	Subtotal Rate Base Adjustments	Materials & Supplies (Staff Ex. 5.0 Sch. 5.2-C)	(Source)	(Source)	(Source)	(Source)	(Source)	Total Rate Base Adjustments
	(a)	(j)	(k)	(l)	(m)	(n)	(o)	(p)	(q)
1	Utility Plant in Service	\$ 947,239	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 947,239
2	FAS 109 Reg. Asset-Net of Liability	-	-	-	-	-	-	-	-
3	Less: Accumulated Depreciation	(378,879)	-	-	-	-	-	-	(378,879)
4	Net Plant	568,360	-	-	-	-	-	-	568,360
5	Additions to Rate Base	-	-	-	-	-	-	-	-
6	Cash Working Capital	(116,206)	-	-	-	-	-	-	(116,206)
7	Materials & Supplies	-	(40,358)	-	-	-	-	-	(40,358)
8	Deferred Charges	(1,185,057)	-	-	-	-	-	-	(1,185,057)
9	Savings/Sharing	-	-	-	-	-	-	-	-
10		-	-	-	-	-	-	-	-
11		-	-	-	-	-	-	-	-
12		-	-	-	-	-	-	-	-
13		-	-	-	-	-	-	-	-
14		-	-	-	-	-	-	-	-
15		-	-	-	-	-	-	-	-
16	Deductions From Rate Base	-	-	-	-	-	-	-	-
17	Contributions in Aid of Construction	-	-	-	-	-	-	-	-
18	Accum. Depr. On CIAC	3,492	-	-	-	-	-	-	3,492
19	Customer Advances	-	-	-	-	-	-	-	-
20	Deferred Federal Income Taxes	561,308	-	-	-	-	-	-	561,308
21	Seferred State Income Taxes	83,125	-	-	-	-	-	-	83,125
22	Investment Tax Credit - pre 1971	-	-	-	-	-	-	-	-
23	Rate Base	\$ (84,978)	\$ (40,358)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (125,336)

Illinois-American Water Company  
 Interest Synchronization Adjustment  
 For the Test Year Ending December 31, 2003  
 Champaign

Line No.	Description	Amount
	(a)	(b)
1	Utility Plant in Service	\$ 48,025,944 (1)
2	Weighted Cost of Debt	2.75% (2)
3	Synchronized Interest Per Staff	1,320,713
4	Company Interest Expense	<u>1,463,799</u> (3)
5	Increase (Decrease) in Interest Expense	<u>(143,086)</u>
6	Increase (Decrease) in State Income Tax Expense	
7	at 3.969%	<u>\$ 5,679</u>
8	Increase (Decrease) in Federal Income Tax Expense	
9	at 35.000%	<u>\$ 48,092</u>

- (1) Source: ICC Staff Ex. 1.0, Schedule 1.3-C, Column (d).  
 (2) Source: ICC Staff Exhibit 6.0, Schedule 6.01.  
 (3) Source: Company Exhibit C-12, Schedule C-5, page 4 of 9.

Illinois-American Water Company  
 Gross Revenue Conversion Factor  
 For the Test Year Ending December 31, 2003  
 Champaign

Line No.	Description	Rate	Per Staff With Bad Debts	Per Staff Without Bad Debts
	(a)	(b)	(c)	(d)
1	Revenues		1.000000	
2	Uncollectibles	0.6050%	<u>0.006050</u>	
3	State Taxable Income		0.993950	1.000000
4	State Income Tax	3.9690%	<u>0.039450</u>	<u>0.039690</u>
5	Federal Taxable Income		0.954500	0.960310
6	Federal Income Tax	35.0000%	<u>0.334075</u>	<u>0.336109</u>
7	Operating Income		<u>0.620425</u>	<u>0.624201</u>
8	Gross Revenue Conversion Factor Per Staf		<u>1.611798</u>	<u>1.602048</u>

Illinois-American Water Company  
Sterling  
Statement of Operating Income with Adjustments  
For the Test Year Ending December 31, 2003

Line No.	Description	Company Pro Forma Present (Company Schedule C-2)	Staff Adjustments (Staff Ex. 1.0 Sch. 1.2-S)	Staff Pro Forma Present (Cols. b+c)	Company Proposed Increase (Company Schedule C-1)	Staff Gross Revenue Conversion Factor	Proposed Rates With Staff Adjustments (Cols. d+e+f)	See Note 1	
		(b)	(c)	(d)	(e)	(f)	(g)	Adjustment To Proposed Increase (h)	Staff Pro Forma Proposed (Cols. g+h) (i)
1	Operating Revenue	\$ 2,410,454	\$ -	\$ 2,410,454	\$ 1,232,885	\$ -	\$ 3,643,339	\$ 337,060	\$ 3,980,399
2		-	-	-	-	-	-	-	-
3	Total Operating Revenue	2,410,454	-	2,410,454	1,232,885	-	3,643,339	337,060	3,980,399
4	Uncollectible Accounts Expense	25,656	-	25,656	7,459	-	33,115	2,039	35,154
5	Labor	464,401	(11,882)	452,519	-	-	452,519	-	452,519
6	Fuel & Power	187,962	(3,660)	184,302	-	-	184,302	-	184,302
7	Chemicals	42,899	-	42,899	-	-	42,899	-	42,899
8	Waste Disposal	-	-	-	-	-	-	-	-
9	Management Fees	145,075	(5,147)	139,928	-	-	139,928	-	139,928
10	Group Insurance	119,582	-	119,582	-	-	119,582	-	119,582
11	Pensions	60,073	-	60,073	-	-	60,073	-	60,073
12	Regulatory Expense	3,115	-	3,115	-	-	3,115	-	3,115
13	Insurance - other	65,002	-	65,002	-	-	65,002	-	65,002
14	Customer Accounting	45,024	-	45,024	-	-	45,024	-	45,024
15	Rents	37,590	(1,018)	36,572	-	-	36,572	-	36,572
16	General Office Expense	69,892	-	69,892	-	-	69,892	-	69,892
17	Maintenance - other	203,928	309,707	513,635	-	-	513,635	-	513,635
18	Miscellaneous	328,132	(959)	327,173	-	-	327,173	-	327,173
19	Depreciation & Amortization	504,830	124,205	629,035	-	-	629,035	-	629,035
20	Taxes other than Income	200,643	-	200,643	-	-	200,643	-	200,643
21	Total Operating Expense								
22	Before Income Taxes	2,503,804	411,246	2,915,050	7,459	-	2,922,509	2,039	2,924,548
23	State Income Tax	(6,360)	(25,119)	(31,479)	48,637	-	17,158	13,297	30,455
24	Federal Income Tax	(120,367)	(146,203)	(266,570)	411,876	-	145,306	112,604	257,910
25	Deferred Taxes and ITCs Net	(6,797)	-	(6,797)	-	-	(6,797)	-	(6,797)
26	Total Operating Expenses	2,370,280	239,924	2,610,204	467,972	-	3,078,176	127,940	3,206,116
27	NET OPERATING INCOME	\$ 40,174	\$ (239,924)	\$ (199,750)	\$ 764,913	\$ -	\$ 565,163	\$ 209,120	\$ 774,283
28	Staff Rate Base (ICC Staff Exhibit 1.0, Schedule 1.3-L, Column (d))								\$ 10,491,646
29	Staff Overall Rate of Return (ICC Staff Exhibit 6.0, Schedule 6.01)								7.38%
30	Resulting Return on Rate Base (Col. (g) Line 27 divided by Col (i) Line 28)						5.39%		
31	Revenue Change (Col. (g) Line 3 minus Col. (d), Line 3)				\$ 1,232,885				
32	Percentage Revenue Change (Col. (g), Line 31 divided by Col. (d), Line 3)				51.15%				

**Note 1: The Company should be granted the \$1,232,885 increase requested as explained in ICC Exhibit 1.0, page 4, lines 54-60.**

**Illinois-American Water Company**  
**Adjustments to Operating Income**  
For the Test Year Ending December 31, 2003  
Sterling

Line No.	Description	Interest Synchronization (Staff Ex. 1.0 Sch. 1.5-S)	Reverse Osmosis (Not Applicable)	Incentive Compensation (Staff Ex. 2.0 Sch. 2.2-S)	Non-Cost of Capital Savings Sharing (Not Applicable)	Cost of Capital Savings Sharing (Staff Ex. 2.0 Sch. 2.4-S)	Lobbying Expense (Staff Ex. 2.0 Sch. 2.5-S)	Tax Expense (Staff Ex. 3.0 Sch. 3.1-S)	Subtotal Operating Statement Adjustments
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1	Operating Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2		-	-	-	-	-	-	-	-
3	Total Operating Revenue	-	-	-	-	-	-	-	-
4	Uncollectible Accounts Expense	-	-	-	-	-	-	-	-
5	Labor	-	-	(11,882)	-	-	-	-	(11,882)
6	Fuel & Power	-	-	-	-	-	-	-	-
7	Chemicals	-	-	-	-	-	-	-	-
8	Waste Disposal	-	-	-	-	-	-	-	-
9	Management Fees	-	-	(4,809)	-	-	(338)	-	(5,147)
10	Group Insurance	-	-	-	-	-	-	-	-
11	Pensions	-	-	-	-	-	-	-	-
12	Regulatory Expense	-	-	-	-	-	-	-	-
13	Insurance - other	-	-	-	-	-	-	-	-
14	Customer Accounting	-	-	-	-	-	-	-	-
15	Rents	-	-	-	-	-	-	-	-
16	General Office Expense	-	-	-	-	-	-	-	-
17	Maintenance - other	-	-	-	-	-	-	-	-
18	Miscellaneous	-	-	(668)	-	4,485	(1,098)	-	2,719
19	Depreciation & Amortization	-	-	-	-	-	-	-	-
20	Taxes other than Income	-	-	-	-	-	-	-	-
21	Total Operating Expense	-	-	-	-	-	-	-	-
22	Before Income Taxes	-	-	(17,359)	-	4,485	(1,436)	-	(14,310)
23	State Income Tax	676	-	689	-	(178)	57	(9,472)	(8,228)
24	Federal Income Tax	5,725	-	5,835	-	(1,507)	483	(13,707)	(3,171)
25	Deferred Taxes and ITCs Net	-	-	-	-	-	-	-	-
26	Total Operating Expense:	6,401	-	(10,835)	-	2,800	(896)	(23,179)	(25,709)
27	NET OPERATING INCOME	\$ (6,401)	\$ -	\$ 10,835	\$ -	\$ (2,800)	\$ 896	\$ 23,179	\$ 25,709

**Illinois-American Water Company**  
**Adjustments to Operating Income**  
For the Test Year Ending December 31, 2003  
Sterling

Line No.	Description	Subtotal Operating Statement Adjustments	Reallocate Power Expense (Not Applicable)	Reallocate Chemical Expense (Not Applicable)	Power Expense (Staff Ex. 3.0 Sch. 3.5-S)	Chemical Expense (Staff Ex. 3.0 Sch. 3.6-S)	Security Costs (Staff Ex. 4.0 Sch. 4.1-S)	Disallowance of Deferred Security Costs (Staff Ex. 4.0 Sch. 4.2-S)	Subtotal Operating Statement Adjustments
	(a)	(j)	(k)	(l)	(m)	(n)	(o)	(p)	(q)
1	Operating Revenue	\$ -	\$ -	\$ -				\$ -	\$ -
2		-	-	-	-	-	-	-	-
3	Total Operating Revenue	-	-	-	-	-	-	-	-
4	Uncollectible Accounts Expense	-	-	-	-	-	-	-	-
5	Labor	(11,882)	-	-	-	-	-	-	(11,882)
6	Fuel & Power	-	-	-	(3,450)	(210)	-	-	(3,660)
7	Chemicals	-	-	-	-	-	-	-	-
8	Waste Disposal	-	-	-	-	-	-	-	-
9	Management Fees	(5,147)	-	-	-	-	-	-	(5,147)
10	Group Insurance	-	-	-	-	-	-	-	-
11	Pensions	-	-	-	-	-	-	-	-
12	Regulatory Expense	-	-	-	-	-	-	-	-
13	Insurance - other	-	-	-	-	-	-	-	-
14	Customer Accounting	-	-	-	-	-	-	-	-
15	Rents	-	-	-	-	-	-	-	-
16	General Office Expense	-	-	-	-	-	-	-	-
17	Maintenance - other	-	-	-	-	-	391,839	(62,860)	328,979
12	Miscellaneous	2,719	-	-	-	-	-	-	2,719
13	Depreciation & Amortization	-	-	-	-	-	-	-	-
14	Taxes other than Income	-	-	-	-	-	-	-	-
15	Total Operating Expense								
16	Before Income Taxes	(14,310)	-	-	(3,450)	(210)	391,839	(62,860)	311,009
17	State Income Tax	(8,228)	-	-	137	8	(15,552)	2,495	(21,140)
18	Federal Income Tax	(3,171)	-	-	1,160	71	(131,701)	21,128	(112,513)
19	Deferred Taxes and ITCs Net	-	-	-	-	-	-	-	-
20	Total Operating Expense:	(25,709)	-	-	(2,153)	(131)	244,586	(39,237)	177,356
21	NET OPERATING INCOME	\$ 25,709	\$ -	\$ -	\$ 2,153	\$ 131	\$ (244,586)	\$ 39,237	\$ (177,356)

**Illinois-American Water Company**  
**Adjustments to Operating Income**  
For the Test Year Ending December 31, 2003  
Sterling

Line No.	Description	Subtotal Operating Statement Adjustments	New Depreciation Rates (Staff Ex. 4.0 Sch. 4.3-S)	Additions to Plant in Service (Staff Ex. 4.0 Sch. 4.4-S)	Normalize Tank Painting Expense (Staff Ex. 4.0 Sch. 4.5-S)	Deferred Tank Painting (Staff Ex. 4.0 Sch. 4.6-S)	Purchased Water (Not Applicable)	Waste Disposal Surcharge (Not Applicable)	Subtotal Operating Statement Adjustments
	(a)	(r)	(s)	(t)	(u)	(v)	(w)	(x)	(y)
1	Operating Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2		-	-	-	-	-	-	-	-
3	Total Operating Revenue	-	-	-	-	-	-	-	-
4	Uncollectible Accounts Expense	-	-	-	-	-	-	-	-
5	Labor	(11,882)	-	-	-	-	-	-	(11,882)
6	Fuel & Power	(3,660)	-	-	-	-	-	-	(3,660)
7	Chemicals	-	-	-	-	-	-	-	-
8	Waste Disposal	-	-	-	-	-	-	-	-
9	Management Fees	(5,147)	-	-	-	-	-	-	(5,147)
10	Group Insurance	-	-	-	-	-	-	-	-
11	Pensions	-	-	-	-	-	-	-	-
12	Regulatory Expense	-	-	-	-	-	-	-	-
13	Insurance - other	-	-	-	-	-	-	-	-
14	Customer Accounting	-	-	-	-	-	-	-	-
15	Rents	-	-	-	-	-	-	-	-
16	General Office Expense	-	-	-	-	-	-	-	-
17	Maintenance - other	328,979	-	-	(19,272)	-	-	-	309,707
12	Miscellaneous	2,719	-	-	-	-	-	-	2,719
13	Depreciation & Amortization	-	101,254	22,831	-	120	-	-	124,205
14	Taxes other than Income	-	-	-	-	-	-	-	-
15	Total Operating Expense	-	-	-	-	-	-	-	-
16	Before Income Taxes	311,009	101,254	22,831	(19,272)	120	-	-	415,942
17	State Income Tax	(21,140)	(4,019)	(906)	765	(5)	-	-	(25,305)
18	Federal Income Tax	(112,513)	(34,032)	(7,674)	6,477	(40)	-	-	(147,782)
19	Deferred Taxes and ITCs Net	-	-	-	-	-	-	-	-
20	Total Operating Expense:	177,356	63,203	14,251	(12,030)	75	-	-	242,855
21	NET OPERATING INCOME	\$ (177,356)	\$ (63,203)	\$ (14,251)	\$ 12,030	\$ (75)	\$ -	\$ -	\$ (242,855)



**Illinois-American Water Company**  
**Adjustments to Operating Income**  
For the Test Year Ending December 31, 2003  
Sterling

Line No.	Description	Subtotal Operating Statement Adjustments	Waste Disposal Contract (Not Applicable)	Rents (Staff Ex. 5.0 Sch. 5.6-S)	Charitable Contributions (Staff Ex. 5.0 Sch. 5.7-S)	Community Relations (Staff Ex. 5.0 Sch. 5.8-S)	Advertising (Not Applicable)	Industry Association Dues (Staff Ex. 5.0 Sch. 5.10-S)	Total Operating Statement Adjustments
	(a)	(z)	(aa)	(ab)	(ac)	(ad)	(ae)	(af)	(ag)
1	Operating Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2		-	-	-	-	-	-	-	-
3	Total Operating Revenue	-	-	-	-	-	-	-	-
4	Uncollectible Accounts Expense	-	-	-	-	-	-	-	-
5	Labor	(11,882)	-	-	-	-	-	-	(11,882)
6	Fuel & Power	(3,660)	-	-	-	-	-	-	(3,660)
7	Chemicals	-	-	-	-	-	-	-	-
8	Waste Disposal	-	-	-	-	-	-	-	-
9	Management Fees	(5,147)	-	-	-	-	-	-	(5,147)
10	Group Insurance	-	-	-	-	-	-	-	-
11	Pensions	-	-	-	-	-	-	-	-
12	Regulatory Expense	-	-	-	-	-	-	-	-
13	Insurance - other	-	-	-	-	-	-	-	-
14	Customer Accounting	-	-	-	-	-	-	-	-
15	Rents	-	-	(1,018)	-	-	-	-	(1,018)
16	General Office Expense	-	-	-	-	-	-	-	-
17	Maintenance - other	309,707	-	-	-	-	-	-	309,707
12	Miscellaneous	2,719	-	-	(217)	(2,733)	-	(728)	(959)
13	Depreciation & Amortization	124,205	-	-	-	-	-	-	124,205
14	Taxes other than Income	-	-	-	-	-	-	-	-
15	Total Operating Expense	-	-	-	-	-	-	-	-
16	Before Income Taxes	415,942	-	(1,018)	(217)	(2,733)	-	(728)	411,246
17	State Income Tax	(25,305)	-	40	9	108	-	29	(25,119)
18	Federal Income Tax	(147,782)	-	342	73	919	-	245	(146,203)
19	Deferred Taxes and ITCs Net	-	-	-	-	-	-	-	-
20	Total Operating Expense:	242,855	-	(636)	(135)	(1,706)	-	(454)	239,924
21	NET OPERATING INCOME	\$ (242,855)	\$ -	\$ 636	\$ 135	\$ 1,706	\$ -	\$ 454	\$ (239,924)

**Illinois-American Water Company**  
**Sterling**  
**Rate Base**  
For the Test Year Ending December 31, 2003

Line No.	Description	Company Pro Forma Present (Company Schedule B-2)	Staff Adjustments (Staff Ex. 1.0 Sch 1.4-S)	Staff Pro Forma Rate Base (Col. b+c)
	(a)	(b)	(c)	(d)
1	Utility Plant in Service	\$ 14,528,852	\$ 603,405	\$ 15,132,257
2	FAS 109 Reg. Asset-Net of Liability	33,805	-	33,805
3	Less: Accumulated Depreciation	<u>(3,122,804)</u>	<u>(61,674)</u>	<u>(3,184,478)</u>
4	Net Plant	11,439,853	541,731	11,981,584
5	Additions to Rate Base			
6	Cash Working Capital	221,195	35,880	257,075
7	Materials & Supplies	89,283	(5,528)	83,755
8	Deferred Charges	368,742	(248,476)	120,266
9	Savings/Sharing	-	-	-
10	-	-	-	-
11	-	-	-	-
12	-	-	-	-
13	-	-	-	-
14	-	-	-	-
15	-	-	-	-
16	Deductions From Rate Base			
17	Contributions in Aid of Construction	(1,050,559)	-	(1,050,559)
18	Accum. Depr. On CIAC	250,101	(368)	249,733
19	Customer Advances	(696,591)	-	(696,591)
20	Deferred Federal Income Tax	(457,715)	102,868	(354,847)
21	Deferred State Income Tax	(110,525)	14,452	(96,073)
22	Investment Tax Credit - pre 197	<u>(2,697)</u>	<u>-</u>	<u>(2,697)</u>
23	Rate Base	<u>\$ 10,051,087</u>	<u>\$ 440,559</u>	<u>\$ 10,491,646</u>

**Illinois-American Water Company**  
**Adjustments to Rate Base**  
For the Test Year Ending December 31, 2003  
Sterling

Line No.	Description	Reverse Osmosis (Not Applicable)	Accumulated Deferred Taxes (Staff Ex. 3.0 Sch. 3.2-S)	Disallowance of Deferred Security Costs (Staff Ex. 4.0 Sch. 4.2-S)	New Depreciation Rates (Staff Ex. 4.0 Sch. 4.3-S)	Additions to Plant in Service (Staff Ex. 4.0 Sch. 4.4-S)	Deferred Tank Painting (Staff Ex. 4.0 Sch. 4.6-S)	Working Capital (Staff Ex. 5.0 Sch. 5.1-S)	Subtotal Rate Base Adjustments
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1	Utility Plant in Service	\$ -	\$ -	\$ -	\$ -	\$ 603,405	\$ -	\$ -	\$ 603,405
2	FAS 109 Reg. Asset-Net of Liability	-	-	-	-	-	-	-	-
3	Less: Accumulated Depreciation	-	-	-	(50,259)	(11,415)	-	-	(61,674)
4	Net Plant	-	-	-	(50,259)	591,990	-	-	541,731
5	Additions to Rate Base	-	-	-	-	-	-	-	-
6	Cash Working Capital	-	-	-	-	-	-	35,880	35,880
7	Materials & Supplies	-	-	-	-	-	-	-	-
8	Deferred Charges	-	-	(249,346)	-	-	870	-	(248,476)
9	Savings/Sharing	-	-	-	-	-	-	-	-
10	-	-	-	-	-	-	-	-	-
11	-	-	-	-	-	-	-	-	-
12	-	-	-	-	-	-	-	-	-
13	-	-	-	-	-	-	-	-	-
14	-	-	-	-	-	-	-	-	-
15	-	-	-	-	-	-	-	-	-
16	Deductions From Rate Base	-	-	-	-	-	-	-	-
17	Contributions in Aid of Construction	-	-	-	-	-	-	-	-
18	Accum. Depr. On CIAC	-	-	-	(368)	-	-	-	(368)
19	Customer Advances	-	-	-	-	-	-	-	-
20	Deferred Federal Income Taxes	-	23,190	83,807	-	(3,837)	(292)	-	102,868
21	Seferred State Income Taxes	-	5,064	9,874	-	(452)	(34)	-	14,452
22	Investment Tax Credit - pre 1971	-	-	-	-	-	-	-	-
23	Rate Base	\$ -	\$ 28,254	\$ (155,665)	\$ (50,627)	\$ 587,701	\$ 544	\$ 35,880	\$ 446,087

**Illinois-American Water Company**  
**Adjustments to Rate Base**  
For the Test Year Ending December 31, 2003  
Sterling

Line No.	Description	Subtotal Rate Base Adjustments	Materials & Supplies (Staff Ex. 5.0 Sch. 5.2-S)	(Source)	(Source)	(Source)	(Source)	(Source)	Total Rate Base Adjustments
	(a)	(j)	(k)	(l)	(m)	(n)	(o)	(p)	(q)
1	Utility Plant in Service	\$ 603,405	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 603,405
2	FAS 109 Reg. Asset-Net of Liability	-	-	-	-	-	-	-	-
3	Less: Accumulated Depreciation	(61,674)	-	-	-	-	-	-	(61,674)
4	Net Plant	541,731	-	-	-	-	-	-	541,731
5	Additions to Rate Base	-	-	-	-	-	-	-	-
6	Cash Working Capital	35,880	-	-	-	-	-	-	35,880
7	Materials & Supplies	-	(5,528)	-	-	-	-	-	(5,528)
8	Deferred Charges	(248,476)	-	-	-	-	-	-	(248,476)
9	Savings/Sharing	-	-	-	-	-	-	-	-
10	-	-	-	-	-	-	-	-	-
11	-	-	-	-	-	-	-	-	-
12	-	-	-	-	-	-	-	-	-
13	-	-	-	-	-	-	-	-	-
14	-	-	-	-	-	-	-	-	-
15	-	-	-	-	-	-	-	-	-
16	Deductions From Rate Base	-	-	-	-	-	-	-	-
17	Contributions in Aid of Construction	-	-	-	-	-	-	-	-
18	Accum. Depr. On CIAC	(368)	-	-	-	-	-	-	(368)
19	Customer Advances	-	-	-	-	-	-	-	-
20	Deferred Federal Income Taxes	102,868	-	-	-	-	-	-	102,868
21	Seferred State Income Taxes	14,452	-	-	-	-	-	-	14,452
22	Investment Tax Credit - pre 1971	-	-	-	-	-	-	-	-
23	Rate Base	\$ 446,087	\$ (5,528)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 440,559

Illinois-American Water Company  
Interest Synchronization Adjustment  
For the Test Year Ending December 31, 2003  
Sterling

Line No.	Description	Amount
	(a)	(b)
1	Utility Plant in Service	\$ 10,491,646 (1)
2	Weighted Cost of Debt	2.75% (2)
3	Synchronized Interest Per Staff	288,520
4	Company Interest Expense	<u>305,553</u> (3)
5	Increase (Decrease) in Interest Expense	<u>(17,033)</u>
6	Increase (Decrease) in State Income Tax Expense	
7	at 3.969%	<u>\$ 676</u>
8	Increase (Decrease) in Federal Income Tax Expense	
9	at 35.000%	<u>\$ 5,725</u>

- (1) Source: ICC Staff Ex. 1.0, Schedule 1.3-S, Column (d).  
(2) Source: ICC Staff Exhibit 6.0, Schedule 6.01.  
(3) Source: Company Exhibit 12, Schedule C-5, page 5 of 9.

Illinois-American Water Company  
Gross Revenue Conversion Factor  
For the Test Year Ending December 31, 2003  
Sterling

Line No.	Description	Rate	Per Staff With Bad Debts	Per Staff Without Bad Debts
	(a)	(b)	(c)	(d)
1	Revenues		1.000000	
2	Uncollectibles	0.6050%	<u>0.006050</u>	
3	State Taxable Income		0.993950	1.000000
4	State Income Tax	3.9690%	<u>0.039450</u>	<u>0.039690</u>
5	Federal Taxable Income		0.954500	0.960310
6	Federal Income Tax	35.0000%	<u>0.334075</u>	<u>0.336109</u>
7	Operating Income		<u>0.620425</u>	<u>0.624201</u>
8	Gross Revenue Conversion Factor Per Staff		<u>1.611798</u>	<u>1.602048</u>

**Illinois-American Water Company**  
**Pekin**  
**Statement of Operating Income with Adjustments**  
**For the Test Year Ending December 31, 2003**

[illegible]

**Illinois-American Water Company**  
**Adjustments to Operating Income**  
For the Test Year Ending December 31, 2003  
Pekin

Line No.	Description	Interest Synchronization (Staff Ex. 1.0 Sch. 1.5-P)	Reverse Osmosis (Not Applicable)	Incentive Compensation (Staff Ex. 2.0 Sch. 2.2-P)	Non-Cost of Capital Savings Sharing (Not Applicable)	Cost of Capital Savings Sharing (Staff Ex. 2.0 Sch. 2.4-P)	Lobbying Expense (Staff Ex. 2.0 Sch. 2.5-P)	Tax Expense (Staff Ex. 3.0 Sch. 3.1-P)	Subtotal Operating Statement Adjustments
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1	Operating Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2		-	-	-	-	-	-	-	-
3	Total Operating Revenue	-	-	-	-	-	-	-	-
4	Uncollectible Accounts Expense	-	-	-	-	-	-	-	-
5	Labor	-	-	(24,997)	-	-	-	-	(24,997)
6	Fuel & Power	-	-	-	-	-	-	-	-
7	Chemicals	-	-	-	-	-	-	-	-
8	Waste Disposal	-	-	-	-	-	-	-	-
9	Management Fees	-	-	(10,116)	-	-	(711)	-	(10,827)
10	Group Insurance	-	-	-	-	-	-	-	-
11	Pensions	-	-	-	-	-	-	-	-
12	Regulatory Expense	-	-	-	-	-	-	-	-
13	Insurance - other	-	-	-	-	-	-	-	-
14	Customer Accounting	-	-	-	-	-	-	-	-
15	Rents	-	-	-	-	-	-	-	-
16	General Office Expense	-	-	-	-	-	-	-	-
17	Maintenance - other	-	-	-	-	-	-	-	-
18	Miscellaneous	-	-	(1,406)	-	5,341	(2,310)	-	1,625
19	Depreciation & Amortization	-	-	-	-	-	-	-	-
20	Taxes other than Income	-	-	-	-	-	-	-	-
21	Total Operating Expense	-	-	-	-	-	-	-	-
22	Before Income Taxes	-	-	(36,519)	-	5,341	(3,021)	-	(34,199)
23	State Income Tax	1,722	-	1,449	-	(212)	120	(17,344)	(14,265)
24	Federal Income Tax	14,586	-	12,274	-	(1,795)	1,015	(88,729)	(62,649)
25	Deferred Taxes and ITCs Net	-	-	-	-	-	-	-	-
26	Total Operating Expense:	16,308	-	(22,796)	-	3,334	(1,886)	(106,073)	(111,113)
27	NET OPERATING INCOME	\$ (16,308)	\$ -	\$ 22,796	\$ -	\$ (3,334)	\$ 1,886	\$ 106,073	\$ 111,113



**Illinois-American Water Company**  
**Adjustments to Operating Income**  
For the Test Year Ending December 31, 2003  
Pekin

Line No.	Description	Subtotal Operating Statement Adjustments	Reallocate Power Expense (Not Applicable)	Reallocate Chemical Expense (Not Applicable)	Power Expense (Staff Ex. 3.0 Sch. 3.5-P)	Chemical Expense (Staff Ex. 3.0 Sch. 3.6-P)	Security Costs (Staff Ex. 4.0 Sch. 4.1-P)	Disallowance of Deferred Security Costs (Staff Ex. 4.0 Sch. 4.2-P)	Subtotal Operating Statement Adjustments
	(a)	(j)	(k)	(l)	(m)	(n)	(o)	(p)	(q)
1	Operating Revenue	\$ -	\$ -	\$ -				\$ -	\$ -
2		-	-	-	-	-	-	-	-
3	Total Operating Revenue	-	-	-	-	-	-	-	-
4	Uncollectible Accounts Expense	-	-	-	-	-	-	-	-
5	Labor	(24,997)	-	-	-	-	-	-	(24,997)
6	Fuel & Power	-	-	-	(6,751)	-	-	-	(6,751)
7	Chemicals	-	-	-	-	(225)	-	-	(225)
8	Waste Disposal	-	-	-	-	-	-	-	-
9	Management Fees	(10,827)	-	-	-	-	-	-	(10,827)
10	Group Insurance	-	-	-	-	-	-	-	-
11	Pensions	-	-	-	-	-	-	-	-
12	Regulatory Expense	-	-	-	-	-	-	-	-
13	Insurance - other	-	-	-	-	-	-	-	-
14	Customer Accounting	-	-	-	-	-	-	-	-
15	Rents	-	-	-	-	-	-	-	-
16	General Office Expense	-	-	-	-	-	-	-	-
17	Maintenance - other	-	-	-	-	-	82,877	(74,860)	8,017
12	Miscellaneous	1,625	-	-	-	-	-	-	1,625
13	Depreciation & Amortization	-	-	-	-	-	-	-	-
14	Taxes other than Income	-	-	-	-	-	-	-	-
15	Total Operating Expense								
16	Before Income Taxes	(34,199)	-	-	(6,751)	(225)	82,877	(74,860)	(33,158)
17	State Income Tax	(14,265)	-	-	268	9	(3,289)	2,971	(14,306)
18	Federal Income Tax	(62,649)	-	-	2,269	76	(27,856)	25,161	(62,999)
19	Deferred Taxes and ITCs Net	-	-	-	-	-	-	-	-
20	Total Operating Expense:	(111,113)	-	-	(4,214)	(140)	51,732	(46,728)	(110,463)
21	NET OPERATING INCOME	\$ 111,113	\$ -	\$ -	\$ 4,214	\$ 140	\$ (51,732)	\$ 46,728	\$ 110,463

**Illinois-American Water Company**  
**Adjustments to Operating Income**  
For the Test Year Ending December 31, 2003  
Pekin

Line No.	Description	Subtotal Operating Statement Adjustments	New Depreciation Rates (Staff Ex. 4.0 Sch. 4.3-P)	Additions to Plant in Service (Staff Ex. 4.0 Sch. 4.4-P)	Normalize Tank Painting Expense (Staff Ex. 4.0 Sch. 4.5-P)	Deferred Tank Painting (Staff Ex. 4.0 Sch. 4.6-P)	Purchased Water (Not Applicable)	Waste Disposal Surcharge (Not Applicable)	Subtotal Operating Statement Adjustments
	(a)	(r)	(s)	(t)	(u)	(v)	(w)	(x)	(y)
1	Operating Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2		-	-	-	-	-	-	-	-
3	Total Operating Revenue	-	-	-	-	-	-	-	-
4	Uncollectible Accounts Expense	-	-	-	-	-	-	-	-
5	Labor	(24,997)	-	-	-	-	-	-	(24,997)
6	Fuel & Power	(6,751)	-	-	-	-	-	-	(6,751)
7	Chemicals	(225)	-	-	-	-	-	-	(225)
8	Waste Disposal	-	-	-	-	-	-	-	-
9	Management Fees	(10,827)	-	-	-	-	-	-	(10,827)
10	Group Insurance	-	-	-	-	-	-	-	-
11	Pensions	-	-	-	-	-	-	-	-
12	Regulatory Expense	-	-	-	-	-	-	-	-
13	Insurance - other	-	-	-	-	-	-	-	-
14	Customer Accounting	-	-	-	-	-	-	-	-
15	Rents	-	-	-	-	-	-	-	-
16	General Office Expense	-	-	-	-	-	-	-	-
17	Maintenance - other	8,017	-	-	(107,066)	-	-	-	(99,049)
12	Miscellaneous	1,625	-	-	-	-	-	-	1,625
13	Depreciation & Amortization	-	(81,177)	(8,389)	-	667	-	-	(88,899)
14	Taxes other than Income	-	-	-	-	-	-	-	-
15	Total Operating Expense								
16	Before Income Taxes	(33,158)	(81,177)	(8,389)	(107,066)	667	-	-	(229,123)
17	State Income Tax	(14,306)	3,222	333	4,249	(26)	-	-	(6,528)
18	Federal Income Tax	(62,999)	27,284	2,820	35,986	(224)	-	-	2,867
19	Deferred Taxes and ITCs Net	-	-	-	-	-	-	-	-
20	Total Operating Expense:	(110,463)	(50,671)	(5,236)	(66,831)	417	-	-	(232,784)
21	NET OPERATING INCOME	\$ 110,463	\$ 50,671	\$ 5,236	\$ 66,831	\$ (417)	\$ -	\$ -	\$ 232,784

**Illinois-American Water Company**  
**Adjustments to Operating Income**  
For the Test Year Ending December 31, 2003  
Pekin

Line No.	Description	Subtotal Operating Statement Adjustments	Waste Disposal Contract (Not Applicable)	Rents (Staff Ex. 5.0 Sch. 5.6-P)	Charitable Contributions (Staff Ex. 5.0 Sch. 5.7-P)	Community Relations (Staff Ex. 5.0 Sch. 5.8-P)	Advertising (Staff Ex. 5.0 Sch. 5.9-P)	Industry Association Dues (Staff Ex. 5.0 Sch. 5.10-P)	Total Operating Statement Adjustments
	(a)	(z)	(aa)	(ab)	(ac)	(ad)	(ae)	(af)	(ag)
1	Operating Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2		-	-	-	-	-	-	-	-
3	Total Operating Revenue	-	-	-	-	-	-	-	-
4	Uncollectible Accounts Expense	-	-	-	-	-	-	-	-
5	Labor	(24,997)	-	-	-	-	-	-	(24,997)
6	Fuel & Power	(6,751)	-	-	-	-	-	-	(6,751)
7	Chemicals	(225)	-	-	-	-	-	-	(225)
8	Waste Disposal	-	-	-	-	-	-	-	-
9	Management Fees	(10,827)	-	-	-	-	-	-	(10,827)
10	Group Insurance	-	-	-	-	-	-	-	-
11	Pensions	-	-	-	-	-	-	-	-
12	Regulatory Expense	-	-	-	-	-	-	-	-
13	Insurance - other	-	-	-	-	-	-	-	-
14	Customer Accounting	-	-	-	-	-	-	-	-
15	Rents	-	-	(5,182)	-	-	-	-	(5,182)
16	General Office Expense	-	-	-	-	-	-	-	-
17	Maintenance - other	(99,049)	-	-	-	-	-	-	(99,049)
12	Miscellaneous	1,625	-	-	(457)	(7,863)	(9,536)	(1,106)	(17,337)
13	Depreciation & Amortization	(88,899)	-	-	-	-	-	-	(88,899)
14	Taxes other than Income	-	-	-	-	-	-	-	-
15	Total Operating Expense								
16	Before Income Taxes	(229,123)	-	(5,182)	(457)	(7,863)	(9,536)	(1,106)	(253,267)
17	State Income Tax	(6,528)	-	206	18	312	378	44	(5,570)
18	Federal Income Tax	2,867	-	1,742	154	2,643	3,205	372	10,983
19	Deferred Taxes and ITCs Net	-	-	-	-	-	-	-	-
20	Total Operating Expense:	(232,784)	-	(3,234)	(285)	(4,908)	(5,953)	(690)	(247,854)
21	NET OPERATING INCOME	\$ 232,784	\$ -	\$ 3,234	\$ 285	\$ 4,908	\$ 5,953	\$ 690	\$ 247,854

**Illinois-American Water Company**  
**Pekin**  
**Rate Base**  
For the Test Year Ending December 31, 2003

Line No.	Description	Company Pro Forma Present (Company Schedule B-2)	Staff Adjustments (Staff Ex. 1.0 Sch 1.4 P)	Staff Pro Forma Rate Base (Col. b+c)
	(a)	(b)	(c)	(d)
1	Utility Plant in Service	\$ 20,710,239	\$ (214,515)	\$ 20,495,724
2	FAS 109 Reg. Asset-Net of Liability	71,117	-	71,117
3	Less: Accumulated Depreciation	<u>(6,366,825)</u>	<u>44,782</u>	<u>(6,322,043)</u>
4	Net Plant	14,414,531	(169,733)	14,244,798
5	Additions to Rate Base			
6	Cash Working Capital	354,572	(20,546)	334,026
7	Materials & Supplies	67,091	(4,150)	62,941
8	Deferred Charges	377,339	(292,115)	85,224
9	Savings/Sharing	-	-	-
10		-	-	-
11		-	-	-
12		-	-	-
13		-	-	-
14		-	-	-
15		-	-	-
16	Deductions From Rate Base			
17	Contributions in Aid of Construction	(1,666,190)	-	(1,666,190)
18	Accum. Depr. On CIAC	541,864	-	541,864
19	Customer Advances	(921,020)	-	(921,020)
20	Deferred Federal Income Tax	(962,927)	148,379	(814,548)
21	Deferred State Income Tax	(232,519)	22,387	(210,132)
22	Investment Tax Credit - pre 197	<u>(2,833)</u>	<u>-</u>	<u>(2,833)</u>
23	Rate Base	<u>\$ 11,969,908</u>	<u>\$ (315,778)</u>	<u>\$ 11,654,130</u>

**Illinois-American Water Company**  
**Adjustments to Rate Base**  
For the Test Year Ending December 31, 2003  
Pekin

Line No.	Description	Reverse Osmosis (Not Applicable)	Accumulated Deferred Taxes (Staff Ex. 3.0 Sch. 3.2-P)	Disallowance of Deferred Security Costs (Staff Ex. 4.0 Sch. 4.2-P)	New Depreciation Rates (Staff Ex. 4.0 Sch. 4.3-P)	Additions to Plant in Service (Staff Ex. 4.0 Sch. 4.4-P)	Deferred Tank Painting (Staff Ex. 4.0 Sch. 4.6-P)	Working Capital (Staff Ex. 5.0 Sch. 5.1-P)	Subtotal Rate Base Adjustments
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1	Utility Plant in Service	\$ -	\$ -	\$ -	\$ -	\$ (214,515)	\$ -	\$ -	\$ (214,515)
2	FAS 109 Reg. Asset-Net of Liability	-	-	-	-	-	-	-	-
3	Less: Accumulated Depreciation	-	-	-	40,588	4,194	-	-	44,782
4	Net Plant	-	-	-	40,588	(210,321)	-	-	(169,733)
5	Additions to Rate Base	-	-	-	-	-	-	-	-
6	Cash Working Capital	-	-	-	-	-	-	(20,546)	(20,546)
7	Materials & Supplies	-	-	-	-	-	-	-	-
8	Deferred Charges	-	-	(296,948)	-	-	4,833	-	(292,115)
9	Savings/Sharing	-	-	-	-	-	-	-	-
10	-	-	-	-	-	-	-	-	-
11	-	-	-	-	-	-	-	-	-
12	-	-	-	-	-	-	-	-	-
13	-	-	-	-	-	-	-	-	-
14	-	-	-	-	-	-	-	-	-
15	-	-	-	-	-	-	-	-	-
16	Deductions From Rate Base	-	-	-	-	-	-	-	-
17	Contributions in Aid of Construction	-	-	-	-	-	-	-	-
18	Accum. Depr. On CIAC	-	-	-	-	-	-	-	-
19	Customer Advances	-	-	-	-	-	-	-	-
20	Deferred Federal Income Taxes	-	48,787	99,807	-	1,410	(1,625)	-	148,379
21	Seferred State Income Taxes	-	10,653	11,759	-	166	(191)	-	22,387
22	Investment Tax Credit - pre 1971	-	-	-	-	-	-	-	-
23	Rate Base	\$ -	\$ 59,440	\$ (185,382)	\$ 40,588	\$ (208,745)	\$ 3,017	\$ (20,546)	\$ (311,628)

**Illinois-American Water Company**  
**Adjustments to Rate Base**  
For the Test Year Ending December 31, 2003  
Pekin

Line No.	Description	Subtotal Rate Base Adjustments	Materials & Supplies (Staff Ex. 5.0 Sch. 5.2-P)	(Source)	(Source)	(Source)	(Source)	(Source)	Total Rate Base Adjustments
	(a)	(j)	(k)	(l)	(m)	(n)	(o)	(p)	(q)
1	Utility Plant in Service	\$ (214,515)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (214,515)
2	FAS 109 Reg. Asset-Net of Liability	-	-	-	-	-	-	-	-
3	Less: Accumulated Depreciation	44,782	-	-	-	-	-	-	44,782
4	Net Plant	(169,733)	-	-	-	-	-	-	(169,733)
5	Additions to Rate Base	-	-	-	-	-	-	-	-
6	Cash Working Capital	(20,546)	-	-	-	-	-	-	(20,546)
7	Materials & Supplies	-	(4,150)	-	-	-	-	-	(4,150)
8	Deferred Charges	(292,115)	-	-	-	-	-	-	(292,115)
9	Savings/Sharing	-	-	-	-	-	-	-	-
10	-	-	-	-	-	-	-	-	-
11	-	-	-	-	-	-	-	-	-
12	-	-	-	-	-	-	-	-	-
13	-	-	-	-	-	-	-	-	-
14	-	-	-	-	-	-	-	-	-
15	-	-	-	-	-	-	-	-	-
16	Deductions From Rate Base	-	-	-	-	-	-	-	-
17	Contributions in Aid of Construction	-	-	-	-	-	-	-	-
18	Accum. Depr. On CIAC	-	-	-	-	-	-	-	-
19	Customer Advances	-	-	-	-	-	-	-	-
20	Deferred Federal Income Taxes	148,379	-	-	-	-	-	-	148,379
21	Seferred State Income Taxes	22,387	-	-	-	-	-	-	22,387
22	Investment Tax Credit - pre 1971	-	-	-	-	-	-	-	-
23	Rate Base	\$ (311,628)	\$ (4,150)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (315,778)

Illinois-American Water Company  
Interest Synchronization Adjustment  
For the Test Year Ending December 31, 2003  
Pekin

Line No.	Description	Amount
	(a)	(b)
1	Utility Plant in Service	\$ 11,654,130 (1)
2	Weighted Cost of Debt	2.75% (2)
3	Synchronized Interest Per Staff	320,489
4	Company Interest Expense	<u>363,885</u> (3)
5	Increase (Decrease) in Interest Expense	<u>(43,396)</u>
6	Increase (Decrease) in State Income Tax Expense	
7	at 3.969%	<u>\$ 1,722</u>
8	Increase (Decrease) in Federal Income Tax Expense	
9	at 35.000%	<u>\$ 14,586</u>

- (1) Source: ICC Staff Ex. 1.0, Schedule 1.3-P, Column (d).  
(2) Source: ICC Staff Exhibit 6.0, Schedule 6.01.  
(3) Source: Company Exhibit 12, Schedule C-5, page 6 of 9.

Illinois-American Water Company  
Gross Revenue Conversion Factor  
For the Test Year Ending December 31, 2003  
Pekin

Line No.	Description	Rate	Per Staff With Bad Debts	Per Staff Without Bad Debts
	(a)	(b)	(c)	(d)
1	Revenues		1.000000	
2	Uncollectibles	0.6050%	<u>0.006050</u>	
3	State Taxable Income		0.993950	1.000000
4	State Income Tax	3.9690%	<u>0.039450</u>	<u>0.039690</u>
5	Federal Taxable Income		0.954500	0.960310
6	Federal Income Tax	35.0000%	<u>0.334075</u>	<u>0.336109</u>
7	Operating Income		<u>0.620425</u>	<u>0.624201</u>
8	Gross Revenue Conversion Factor Per Staf		<u>1.611798</u>	<u>1.602048</u>



Illinois-American Water Company  
Lincoln  
Statement of Operating Income with Adjustments  
For the Test Year Ending December 31, 2003

Line No.	Description	Company Pro Forma Present (Company Schedule C-2)	Staff Adjustments (Staff Ex. 1.0 Sch. 1.2-L)	Staff Pro Forma Present (Cols. b+c)	Company Proposed Increase (Company Schedule C-1)	Staff Gross Revenue Conversion Factor	Proposed Rates With Staff Adjustments (Cols. d+e+f)	See Note 1	
								Adjustment To Proposed Increase	Staff Pro Forma Proposed (Cols. g+h)
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1	Operating Revenue	\$ 2,871,118	\$ -	\$ 2,871,118	\$ 392,867	\$ -	\$ 3,263,985	\$ 266,660	\$ 3,530,645
2		-	-	-	-	-	-	-	-
3	Total Operating Revenue	2,871,118	-	2,871,118	392,867	-	3,263,985	266,660	3,530,645
4	Uncollectible Accounts Expense	18,929	-	18,929	2,377	-	21,306	1,613	22,919
5	Labor	496,319	(10,705)	485,614	-	-	485,614	-	485,614
6	Fuel & Power	123,697	(3,017)	120,680	-	-	120,680	-	120,680
7	Chemicals	41,705	794	42,499	-	-	42,499	-	42,499
8	Waste Disposal	-	-	-	-	-	-	-	-
9	Management Fees	130,705	(4,636)	126,069	-	-	126,069	-	126,069
10	Group Insurance	145,521	-	145,521	-	-	145,521	-	145,521
11	Pensions	64,202	-	64,202	-	-	64,202	-	64,202
12	Regulatory Expense	2,806	-	2,806	-	-	2,806	-	2,806
13	Insurance - other	58,563	-	58,563	-	-	58,563	-	58,563
14	Customer Accounting	24,955	-	24,955	-	-	24,955	-	24,955
15	Rents	15,788	(2,217)	13,571	-	-	13,571	-	13,571
16	General Office Expense	67,209	-	67,209	-	-	67,209	-	67,209
17	Maintenance - other	222,041	364,250	586,291	-	-	586,291	-	586,291
18	Miscellaneous	291,245	(5,656)	285,589	-	-	285,589	-	285,589
19	Depreciation & Amortization	705,682	(54,405)	651,277	-	-	651,277	-	651,277
20	Taxes other than Income	143,154	-	143,154	-	-	143,154	-	143,154
21	Total Operating Expense								
22	Before Income Taxes	2,552,521	284,408	2,836,929	2,377	-	2,839,306	1,613	2,840,919
23	State Income Tax	3,288	(9,387)	(6,099)	15,499	-	9,400	10,520	19,920
24	Federal Income Tax	(1,704)	(49,946)	(51,650)	131,247	-	79,597	89,085	168,682
25	Deferred Taxes and ITCs Net	(3,020)	-	(3,020)	-	-	(3,020)	-	(3,020)
26	Total Operating Expenses	2,551,085	225,075	2,776,160	149,123	-	2,925,283	101,218	3,026,501
27	NET OPERATING INCOME	\$ 320,033	\$ (225,075)	\$ 94,958	\$ 243,744	\$ -	\$ 338,702	\$ 165,442	\$ 504,144
28	Staff Rate Base (ICC Staff Exhibit 1.0, Schedule 1.3-L, Column (d))								\$ 6,831,236
29	Staff Overall Rate of Return (ICC Staff Exhibit 6.0, Schedule 6.01)								7.38%
30	Resulting Return on Rate Base (Col. (g) Line 31 divided by Col (i) Line 28)						4.96%		
31	Revenue Change (Col. (g) Line 3 minus Col. (d), Line 3)						\$ 392,867		
32	Percentage Revenue Change (Col. (g), Line 31 divided by Col. (d), Line 3)						13.68%		

**Note 1: The Company should be granted the \$392,867 increase requested as explained in ICC Exhibit 1.0, page 4, lines 54-60.**

**Illinois-American Water Company**  
**Adjustments to Operating Income**  
For the Test Year Ending December 31, 2003  
Lincoln

Line No.	Description	Interest Synchronization (Staff Ex. 1.0 Sch. 1.5-L)	Reverse Osmosis (Not Applicable)	Incentive Compensation (Staff Ex. 2.0 Sch. 2.2-L)	Non-Cost of Capital Savings Sharing (Not Applicable)	Cost of Capital Savings Sharing (Staff Ex. 2.0 Sch. 2.4-L)	Lobbying Expense (Staff Ex. 2.0 Sch. 2.5-L)	Tax Expense (Staff Ex. 3.0 Sch. 3.1-L)	Subtotal Operating Statement Adjustments
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1	Operating Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2		-	-	-	-	-	-	-	-
3	Total Operating Revenue	-	-	-	-	-	-	-	-
4	Uncollectible Accounts Expense	-	-	-	-	-	-	-	-
5	Labor	-	-	(10,705)	-	-	-	-	(10,705)
6	Fuel & Power	-	-	-	-	-	-	-	-
7	Chemicals	-	-	-	-	-	-	-	-
8	Waste Disposal	-	-	-	-	-	-	-	-
9	Management Fees	-	-	(4,331)	-	-	(305)	-	(4,636)
10	Group Insurance	-	-	-	-	-	-	-	-
11	Pensions	-	-	-	-	-	-	-	-
12	Regulatory Expense	-	-	-	-	-	-	-	-
13	Insurance - other	-	-	-	-	-	-	-	-
14	Customer Accounting	-	-	-	-	-	-	-	-
15	Rents	-	-	-	-	-	-	-	-
16	General Office Expense	-	-	-	-	-	-	-	-
17	Maintenance - other	-	-	-	-	-	-	-	-
18	Miscellaneous	-	-	(602)	-	3,140	(989)	-	1,549
19	Depreciation & Amortization	-	-	-	-	-	-	-	-
20	Taxes other than Income	-	-	-	-	-	-	-	-
21	Total Operating Expense	-	-	-	-	-	-	-	-
22	Before Income Taxes	-	-	(15,638)	-	3,140	(1,294)	-	(13,792)
23	State Income Tax	1,036	-	621	-	(125)	51	865	2,448
24	Federal Income Tax	8,776	-	5,256	-	(1,055)	435	36,870	50,282
25	Deferred Taxes and ITCs Net	-	-	-	-	-	-	-	-
26	Total Operating Expense:	9,812	-	(9,761)	-	1,960	(808)	37,735	38,938
27	NET OPERATING INCOME	\$ (9,812)	\$ -	\$ 9,761	\$ -	\$ (1,960)	\$ 808	\$ (37,735)	\$ (38,938)

**Illinois-American Water Company**  
**Adjustments to Operating Income**  
For the Test Year Ending December 31, 2003  
Lincoln

Line No.	Description	Subtotal Operating Statement Adjustments	Reallocate Power Expense (Not Applicable)	Reallocate Chemical Expense (Not Applicable)	Power Expense (Staff Ex. 3.0 Sch. 3.5-L)	Chemical Expense (Staff Ex. 3.0 Sch. 3.6-L)	Security Costs (Staff Ex. 4.0 Sch. 4.1-L)	Disallowance of Deferred Security Costs (Staff Ex. 4.0 Sch. 4.2-L)	Subtotal Operating Statement Adjustments
	(a)	(j)	(k)	(l)	(m)	(n)	(o)	(p)	(q)
1	Operating Revenue	\$ -	\$ -	\$ -				\$ -	\$ -
2		-	-	-	-	-	-	-	-
3	Total Operating Revenue	-	-	-	-	-	-	-	-
4	Uncollectible Accounts Expense	-	-	-	-	-	-	-	-
5	Labor	(10,705)	-	-	-	-	-	-	(10,705)
6	Fuel & Power	-	-	-	(3,017)	-	-	-	(3,017)
7	Chemicals	-	-	-	-	794	-	-	794
8	Waste Disposal	-	-	-	-	-	-	-	-
9	Management Fees	(4,636)	-	-	-	-	-	-	(4,636)
10	Group Insurance	-	-	-	-	-	-	-	-
11	Pensions	-	-	-	-	-	-	-	-
12	Regulatory Expense	-	-	-	-	-	-	-	-
13	Insurance - other	-	-	-	-	-	-	-	-
14	Customer Accounting	-	-	-	-	-	-	-	-
15	Rents	-	-	-	-	-	-	-	-
16	General Office Expense	-	-	-	-	-	-	-	-
17	Maintenance - other	-	-	-	-	-	441,337	-	441,337
12	Miscellaneous	1,549	-	-	-	-	-	-	1,549
13	Depreciation & Amortization	-	-	-	-	-	-	(44,019)	(44,019)
14	Taxes other than Income	-	-	-	-	-	-	-	-
15	Total Operating Expense								
16	Before Income Taxes	(13,792)	-	-	(3,017)	794	441,337	(44,019)	381,303
17	State Income Tax	2,448	-	-	120	(32)	(17,517)	1,747	(13,234)
18	Federal Income Tax	50,282	-	-	1,014	(267)	(148,337)	14,795	(82,513)
19	Deferred Taxes and ITCs Net	-	-	-	-	-	-	-	-
20	Total Operating Expense:	38,938	-	-	(1,883)	495	275,483	(27,477)	285,556
21	NET OPERATING INCOME	\$ (38,938)	\$ -	\$ -	\$ 1,883	\$ (495)	\$ (275,483)	\$ 27,477	\$ (285,556)

**Illinois-American Water Company**  
**Adjustments to Operating Income**  
For the Test Year Ending December 31, 2003  
Lincoln

Line No.	Description	Subtotal Operating Statement Adjustments	New Depreciation Rates (Staff Ex. 4.0 Sch. 4.3-L)	Additions to Plant in Service (Staff Ex. 4.0 Sch. 4.4-L)	Normalize Tank Painting Expense (Staff Ex. 4.0 Sch. 4.5-L)	Deferred Tank Painting (Staff Ex. 4.0 Sch. 4.6-L)	Purchased Water (Not Applicable)	Waste Disposal Surcharge (Not Applicable)	Subtotal Operating Statement Adjustments
	(a)	(r)	(s)	(t)	(u)	(v)	(w)	(x)	(y)
1	Operating Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2		-	-	-	-	-	-	-	-
3	Total Operating Revenue	-	-	-	-	-	-	-	-
4	Uncollectible Accounts Expense	-	-	-	-	-	-	-	-
5	Labor	(10,705)	-	-	-	-	-	-	(10,705)
6	Fuel & Power	(3,017)	-	-	-	-	-	-	(3,017)
7	Chemicals	794	-	-	-	-	-	-	794
8	Waste Disposal	-	-	-	-	-	-	-	-
9	Management Fees	(4,636)	-	-	-	-	-	-	(4,636)
10	Group Insurance	-	-	-	-	-	-	-	-
11	Pensions	-	-	-	-	-	-	-	-
12	Regulatory Expense	-	-	-	-	-	-	-	-
13	Insurance - other	-	-	-	-	-	-	-	-
14	Customer Accounting	-	-	-	-	-	-	-	-
15	Rents	-	-	-	-	-	-	-	-
16	General Office Expense	-	-	-	-	-	-	-	-
17	Maintenance - other	441,337	-	-	(77,087)	-	-	-	364,250
12	Miscellaneous	1,549	-	-	-	-	-	-	1,549
13	Depreciation & Amortization	(44,019)	(2,470)	(8,396)	-	480	-	-	(54,405)
14	Taxes other than Income	-	-	-	-	-	-	-	-
15	Total Operating Expense	-	-	-	-	-	-	-	-
16	Before Income Taxes	381,303	(2,470)	(8,396)	(77,087)	480	-	-	293,830
17	State Income Tax	(13,234)	98	333	3,060	(19)	-	-	(9,762)
18	Federal Income Tax	(82,513)	830	2,822	25,910	(161)	-	-	(53,112)
19	Deferred Taxes and ITCs Net	-	-	-	-	-	-	-	-
20	Total Operating Expense:	285,556	(1,542)	(5,241)	(48,117)	300	-	-	230,956
21	NET OPERATING INCOME	\$ (285,556)	\$ 1,542	\$ 5,241	\$ 48,117	\$ (300)	\$ -	\$ -	\$ (230,956)

**Illinois-American Water Company**  
**Adjustments to Operating Income**  
For the Test Year Ending December 31, 2003  
Lincoln

Line No.	Description	Subtotal Operating Statement Adjustments	Waste Disposal Contract (Not Applicable)	Rents (Staff Ex. 5.0 Sch. 5.6-L)	Charitable Contributions (Staff Ex. 5.0 Sch. 5.7-L)	Community Relations (Staff Ex. 5.0 Sch. 5.8-L)	Advertising (Staff Ex. 5.0 Sch. 5.9-L)	Industry Association Dues (Staff Ex. 5.0 Sch. 5.10-L)	Total Operating Statement Adjustments
	(a)	(z)	(aa)	(ab)	(ac)	(ad)	(ae)	(af)	(ag)
1	Operating Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2		-	-	-	-	-	-	-	-
3	Total Operating Revenue	-	-	-	-	-	-	-	-
4	Uncollectible Accounts Expense	-	-	-	-	-	-	-	-
5	Labor	(10,705)	-	-	-	-	-	-	(10,705)
6	Fuel & Power	(3,017)	-	-	-	-	-	-	(3,017)
7	Chemicals	794	-	-	-	-	-	-	794
8	Waste Disposal	-	-	-	-	-	-	-	-
9	Management Fees	(4,636)	-	-	-	-	-	-	(4,636)
10	Group Insurance	-	-	-	-	-	-	-	-
11	Pensions	-	-	-	-	-	-	-	-
12	Regulatory Expense	-	-	-	-	-	-	-	-
13	Insurance - other	-	-	-	-	-	-	-	-
14	Customer Accounting	-	-	-	-	-	-	-	-
15	Rents	-	-	(2,217)	-	-	-	-	(2,217)
16	General Office Expense	-	-	-	-	-	-	-	-
17	Maintenance - other	364,250	-	-	-	-	-	-	364,250
12	Miscellaneous	1,549	-	-	(196)	(2,459)	(4,076)	(474)	(5,656)
13	Depreciation & Amortization	(54,405)	-	-	-	-	-	-	(54,405)
14	Taxes other than Income	-	-	-	-	-	-	-	-
15	Total Operating Expense	-	-	-	-	-	-	-	-
16	Before Income Taxes	293,830	-	(2,217)	(196)	(2,459)	(4,076)	(474)	284,408
17	State Income Tax	(9,762)	-	88	8	98	162	19	(9,387)
18	Federal Income Tax	(53,112)	-	745	66	826	1,370	159	(49,946)
19	Deferred Taxes and ITCs Net	-	-	-	-	-	-	-	-
20	Total Operating Expense:	230,956	-	(1,384)	(122)	(1,535)	(2,544)	(296)	225,075
21	NET OPERATING INCOME	\$ (230,956)	\$ -	\$ 1,384	\$ 122	\$ 1,535	\$ 2,544	\$ 296	\$ (225,075)

**Illinois-American Water Company**  
**Lincoln**  
**Rate Base**  
For the Test Year Ending December 31, 2003

Line No.	Description	Company Pro Forma Rate Base (Company Schedule C-2)	Staff Adjustments (Staff Ex. 1.0 Sch 1.4-L)	Staff Pro Forma Rate Base (Col. b+c)
	(a)	(b)	(c)	(d)
1	Utility Plant in Service	\$ 14,608,304	\$ (187,186)	\$ 14,421,118
2	FAS 109 Reg. Asset-Net of Liability	30,457	-	30,457
3	Less: Accumulated Depreciation	<u>(7,007,281)</u>	<u>5,433</u>	<u>(7,001,848)</u>
4	Net Plant	7,631,480	(181,753)	7,449,727
5	Additions to Rate Base			
6	Cash Working Capital	297,873	60,004	357,877
7	Materials & Supplies	91,113	(5,659)	85,454
8	Deferred Charges	270,162	(171,130)	99,032
9	Savings/Sharing	-	-	-
10	-	-	-	-
11	-	-	-	-
12	-	-	-	-
13	-	-	-	-
14	-	-	-	-
15	-	-	-	-
16	Deductions From Rate Base			
17	Contributions in Aid of Construction	(686,523)	-	(686,523)
18	Accum. Depr. On CIAC	129,567	-	129,567
19	Customer Advances	(182,061)	-	(182,061)
20	Deferred Federal Income Tax	(412,375)	79,823	(332,552)
21	Deferred State Income Tax	(99,577)	11,505	(88,072)
22	Investment Tax Credit - pre 197	<u>(1,213)</u>	<u>-</u>	<u>(1,213)</u>
23	Rate Base	<u>\$ 7,038,446</u>	<u>\$ (207,210)</u>	<u>\$ 6,831,236</u>

**Illinois-American Water Company**  
**Adjustments to Rate Base**  
For the Test Year Ending December 31, 2003  
Lincoln

Line No.	Description	Reverse Osmosis (Not Applicable)	Accumulated Deferred Taxes (Staff Ex. 3.0 Sch. 3.2-L)	Disallowance of Deferred Security Costs (Staff Ex. 4.0 Sch. 4.2-L)	New Depreciation Rates (Staff Ex. 4.0 Sch. 4.3-L)	Additions to Plant in Service (Staff Ex. 4.0 Sch. 4.4-L)	Deferred Tank Painting (Staff Ex. 4.0 Sch. 4.6-L)	Working Capital (Staff Ex. 5.0 Sch. 5.1-L)	Subtotal Rate Base Adjustments
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1	Utility Plant in Service	\$ -	\$ -	\$ -	\$ -	\$ (187,186)	\$ -	\$ -	\$ (187,186)
2	FAS 109 Reg. Asset-Net of Liability	-	-	-	-	-	-	-	-
3	Less: Accumulated Depreciation	-	-	-	1,235	4,198	-	-	5,433
4	Net Plant	-	-	-	1,235	(182,988)	-	-	(181,753)
5	Additions to Rate Base	-	-	-	-	-	-	-	-
6	Cash Working Capital	-	-	-	-	-	-	60,004	60,004
7	Materials & Supplies	-	-	-	-	-	-	-	-
8	Deferred Charges	-	-	(174,610)	-	-	3,480	-	(171,130)
9	Savings/Sharing	-	-	-	-	-	-	-	-
10	-	-	-	-	-	-	-	-	-
11	-	-	-	-	-	-	-	-	-
12	-	-	-	-	-	-	-	-	-
13	-	-	-	-	-	-	-	-	-
14	-	-	-	-	-	-	-	-	-
15	-	-	-	-	-	-	-	-	-
16	Deductions From Rate Base	-	-	-	-	-	-	-	-
17	Contributions in Aid of Construction	-	-	-	-	-	-	-	-
18	Accum. Depr. On CIAC	-	-	-	-	-	-	-	-
19	Customer Advances	-	-	-	-	-	-	-	-
20	Deferred Federal Income Taxes	-	20,893	58,688	-	1,411	(1,169)	-	79,823
21	Seferred State Income Taxes	-	4,562	6,915	-	166	(138)	-	11,505
22	Investment Tax Credit - pre 1971	-	-	-	-	-	-	-	-
23	Rate Base	\$ -	\$ 25,455	\$ (109,007)	\$ 1,235	\$ (181,411)	\$ 2,173	\$ 60,004	\$ (201,551)

**Illinois-American Water Company**  
**Adjustments to Rate Base**  
For the Test Year Ending December 31, 2003  
Lincoln

Line No.	Description	Subtotal Rate Base Adjustments	Materials & Supplies (Staff Ex. 5.0 Sch. 5.2-L)	(Source)	(Source)	(Source)	(Source)	(Source)	Total Rate Base Adjustments
	(a)	(j)	(k)	(l)	(m)	(n)	(o)	(p)	(q)
1	Utility Plant in Service	\$ (187,186)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (187,186)
2	FAS 109 Reg. Asset-Net of Liability	-	-	-	-	-	-	-	-
3	Less: Accumulated Depreciation	5,433	-	-	-	-	-	-	5,433
4	Net Plant	(181,753)	-	-	-	-	-	-	(181,753)
5	Additions to Rate Base	-	-	-	-	-	-	-	-
6	Cash Working Capital	60,004	-	-	-	-	-	-	60,004
7	Materials & Supplies	-	(5,659)	-	-	-	-	-	(5,659)
8	Deferred Charges	(171,130)	-	-	-	-	-	-	(171,130)
9	Savings/Sharing	-	-	-	-	-	-	-	-
10	-	-	-	-	-	-	-	-	-
11	-	-	-	-	-	-	-	-	-
12	-	-	-	-	-	-	-	-	-
13	-	-	-	-	-	-	-	-	-
14	-	-	-	-	-	-	-	-	-
15	-	-	-	-	-	-	-	-	-
16	Deductions From Rate Base	-	-	-	-	-	-	-	-
17	Contributions in Aid of Construction	-	-	-	-	-	-	-	-
18	Accum. Depr. On CIAC	-	-	-	-	-	-	-	-
19	Customer Advances	-	-	-	-	-	-	-	-
20	Deferred Federal Income Taxes	79,823	-	-	-	-	-	-	79,823
21	Seferred State Income Taxes	11,505	-	-	-	-	-	-	11,505
22	Investment Tax Credit - pre 1971	-	-	-	-	-	-	-	-
23	Rate Base	\$ (201,551)	\$ (5,659)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (207,210)



Illinois-American Water Company  
 Interest Synchronization Adjustment  
 For the Test Year Ending December 31, 2003  
 Lincoln

Line No.	Description	Amount
	(a)	(b)
1	Utility Plant in Service	\$ 6,831,236 (1)
2	Weighted Cost of Debt	2.75% (2)
3	Synchronized Interest Per Staff	187,859
4	Company Interest Expense	<u>213,969</u> (3)
5	Increase (Decrease) in Interest Expense	<u>(26,110)</u>
6	Increase (Decrease) in State Income Tax Expense	
7	at 3.969%	<u>\$ 1,036</u>
8	Increase (Decrease) in Federal Income Tax Expense	
9	at 35.000%	<u>\$ 8,776</u>

- (1) Source: ICC Staff Ex. 1.0, Schedule 1.3-L, Column (d).  
 (2) Source: ICC Staff Exhibit 6.0, Schedule 6.01.  
 (3) Source: Company Exhibit 12, Schedule C-5, page 7 of 9.

Illinois-American Water Company  
Gross Revenue Conversion Factor  
For the Test Year Ending December 31, 2003  
Lincoln

Line No.	Description	Rate	Per Staff With Bad Debts	Per Staff Without Bad Debts
	(a)	(b)	(c)	(d)
1	Revenues		1.000000	
2	Uncollectibles	0.6050%	<u>0.006050</u>	
3	State Taxable Income		0.993950	1.000000
4	State Income Tax	3.9690%	<u>0.039450</u>	<u>0.039690</u>
5	Federal Taxable Income		0.954500	0.960310
6	Federal Income Tax	35.0000%	<u>0.334075</u>	<u>0.336109</u>
7	Operating Income		<u>0.620425</u>	<u>0.624201</u>
8	Gross Revenue Conversion Factor Per Staf		<u>1.611798</u>	<u>1.602048</u>

[illegible]

**Illinois-American Water Company**  
**Adjustments to Operating Income**  
For the Test Year Ending December 31, 2003  
Chicago Metro - Water

Line No.	Description	Interest Synchronization (Staff Ex. 1.0 Sch. 1.5-CMW)	Reverse Osmosis (Not Applicable)	Incentive Compensation (Staff Ex. 2.0 Sch. 2.2-CMW)	Non-Cost of Capital Savings Sharing (Staff Ex. 2.0 Sch. 2.3-CMW)	Cost of Capital Savings Sharing (Staff Ex. 2.0 Sch. 2.4-CMW)	Lobbying Expense (Staff Ex. 2.0 Sch. 2.5-CMW)	Tax Expense (Staff Ex. 3.0 Sch. 3.1-CMW)	Subtotal Operating Statement Adjustments
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1	Operating Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2		-	-	-	-	-	-	-	-
3	Total Operating Revenue	-	-	-	-	-	-	-	-
4	Uncollectible Accounts Expense	-	-	-	-	-	-	-	-
5	Labor	-	-	(88,217)	-	-	-	-	(88,217)
6	Purchased Water	-	-	-	-	-	-	-	-
7	Fuel & Power	-	-	-	-	-	-	-	-
8	Chemicals	-	-	-	-	-	-	-	-
9	Waste Disposal	-	-	-	-	-	-	-	-
10	Management Fees	-	-	(35,698)	-	-	(2,510)	-	(38,208)
11	Group Insurance	-	-	-	-	-	-	-	-
12	Pensions	-	-	-	-	-	-	-	-
13	Regulatory Expense	-	-	-	-	-	-	-	-
14	Insurance - Other	-	-	-	-	-	-	-	-
15	Customer Accounting	-	-	-	-	-	-	-	-
16	Rents	-	-	-	-	-	-	-	-
17	General Office Expense	-	-	-	-	-	-	-	-
18	Maintenance - Other	-	-	-	-	-	-	-	-
19	Miscellaneous	-	-	(4,963)	(30,502)	71,328	(8,152)	-	27,711
20	Depreciation & Amortization	-	-	-	-	-	-	-	-
21	Taxes other than Income	-	-	-	-	-	-	-	-
22	Total Operating Expenses	-	-	-	-	-	-	-	-
23	Before Income Taxes	-	-	(128,878)	(30,502)	71,328	(10,662)	-	(98,714)
24	State Income Tax	13,611	-	5,115	1,211	(2,831)	423	(33,084)	(15,555)
25	Federal Income Tax	115,265	-	43,317	10,252	(23,974)	3,584	132,268	280,712
26	Deferred Taxes and ITCs Net	-	-	-	-	-	-	-	-
27	Total Operating Expenses:	128,876	-	(80,446)	(19,039)	44,523	(6,655)	99,184	166,443
28	NET OPERATING INCOME	\$ (128,876)	\$ -	\$ 80,446	\$ 19,039	\$ (44,523)	\$ 6,655	\$ (99,184)	\$ (166,443)

**Illinois-American Water Company**  
**Adjustments to Operating Income**  
For the Test Year Ending December 31, 2003  
Chicago Metro - Water

Line No.	Description	Subtotal Operating Statement Adjustments	Reallocate Power Expense (Staff Ex. 3.0 Sch. 3.3-CMW)	Reallocate Chemical Expense (Staff Ex. 3.0 Sch. 3.4-CMW)	Power Expense (Staff Ex. 3.0 Sch. 3.5-CMW)	Chemical Expense (Staff Ex. 3.0 Sch. 3.6-CMW)	Security Costs (Staff Ex. 4.0 Sch. 4.1-CMW)	Disallowance of Deferred Security Costs (Staff Ex. 4.0 Sch. 4.2-CMW)	Subtotal Operating Statement Adjustments
	(a)	(j)	(k)	(l)	(m)	(n)	(o)	(p)	(q)
1	Operating Revenue	\$ -	\$ -	\$ -				\$ -	\$ -
2		-	-	-	-	-	-	-	-
3	Total Operating Revenue	-	-	-	-	-	-	-	-
4	Uncollectible Accounts Expense	-	-	-	-	-	-	-	-
5	Labor	(88,217)	-	-	-	-	-	-	(88,217)
6	Purchased Water	-	-	-	-	-	-	-	-
7	Fuel & Power	-	(360,144)	-	(8,784)	-	-	-	(368,928)
8	Chemicals	-	-	(18,496)	-	(2,090)	-	-	(20,586)
9	Waste Disposal	-	-	-	-	-	-	-	-
10	Management Fees	(38,208)	-	-	-	-	-	-	(38,208)
11	Group Insurance	-	-	-	-	-	-	-	-
12	Pensions	-	-	-	-	-	-	-	-
13	Regulatory Expense	-	-	-	-	-	-	-	-
14	Insurance - Other	-	-	-	-	-	-	-	-
15	Customer Accounting	-	-	-	-	-	-	-	-
16	Rents	-	-	-	-	-	-	-	-
17	General Office Expense	-	-	-	-	-	-	-	-
18	Maintenance - Other	-	-	-	-	-	(1,050,929)	-	(1,050,929)
19	Miscellaneous	27,711	-	-	-	-	-	-	27,711
20	Depreciation & Amortization	-	-	-	-	-	-	(405,776)	(405,776)
21	Taxes other than Income	-	-	-	-	-	-	-	-
22	Total Operating Expenses								
23	Before Income Taxes	(98,714)	(360,144)	(18,496)	(8,784)	(2,090)	(1,050,929)	(405,776)	(1,944,933)
24	State Income Tax	(15,555)	14,294	734	349	83	41,711	16,105	57,721
25	Federal Income Tax	280,712	121,048	6,217	2,952	702	353,227	136,385	901,243
26	Deferred Taxes and ITCs Net	-	-	-	-	-	-	-	-
27	Total Operating Expenses:	166,443	(224,802)	(11,545)	(5,483)	(1,305)	(655,991)	(253,286)	(985,969)
28	NET OPERATING INCOME	\$ (166,443)	\$ 224,802	\$ 11,545	\$ 5,483	\$ 1,305	\$ 655,991	\$ 253,286	\$ 985,969

**Illinois-American Water Company**  
**Adjustments to Operating Income**  
For the Test Year Ending December 31, 2003  
Chicago Metro - Water

Line No.	Description	Subtotal Operating Statement Adjustments	New Depreciation Rates (Staff Ex. 4.0 Sch. 4.3-CMW)	Additions to Plant in Service (Staff Ex. 4.0 Sch. 4.4-CMW)	Normalize Tank Painting Expense (Staff Ex. 4.0 Sch. 4.5-CMW)	Deferred Tank Painting (Staff Ex. 4.0 Sch. 4.6-CMW)	Purchased Water (Staff Ex. 5.0 Sch. 5.3-CMW)	Waste Disposal Surcharge (Not Applicable)	Subtotal Operating Statement Adjustments
	(a)	(r)	(s)	(t)	(u)	(v)	(w)	(x)	(y)
1	Operating Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (14,216,306)	\$ -	\$ (14,216,306)
2	-	-	-	-	-	-	-	-	-
3	Total Operating Revenue	-	-	-	-	-	(14,216,306)	-	(14,216,306)
4	Uncollectible Accounts Expense	-	-	-	-	-	(86,009)	-	(86,009)
5	Labor	(88,217)	-	-	-	-	-	-	(88,217)
6	Purchased Water	-	-	-	-	-	(14,186,124)	-	(14,186,124)
7	Fuel & Power	(368,928)	-	-	-	-	-	-	(368,928)
8	Chemicals	(20,586)	-	-	-	-	-	-	(20,586)
9	Waste Disposal	-	-	-	-	-	-	-	-
10	Management Fees	(38,208)	-	-	-	-	-	-	(38,208)
11	Group Insurance	-	-	-	-	-	-	-	-
12	Pensions	-	-	-	-	-	-	-	-
13	Regulatory Expense	-	-	-	-	-	-	-	-
14	Insurance - Other	-	-	-	-	-	-	-	-
15	Customer Accounting	-	-	-	-	-	-	-	-
16	Rents	-	-	-	-	-	-	-	-
17	General Office Expense	-	-	-	-	-	-	-	-
18	Maintenance - Other	(1,050,929)	-	-	(601,710)	-	-	-	(1,652,639)
19	Miscellaneous	27,711	-	-	-	-	-	-	27,711
20	Depreciation & Amortization	(405,776)	(55,246)	(70,071)	-	26,794	-	-	(504,299)
21	Taxes other than Income	-	-	-	-	-	-	-	-
22	Total Operating Expenses	-	-	-	-	-	-	-	-
23	Before Income Taxes	(1,944,933)	(55,246)	(70,071)	(601,710)	26,794	(14,272,133)	-	(16,917,299)
24	State Income Tax	57,721	2,193	2,781	23,882	(1,063)	2,216	-	87,730
25	Federal Income Tax	901,243	18,569	23,551	202,240	(9,006)	18,764	-	1,155,361
26	Deferred Taxes and ITCs Net	-	-	-	-	-	-	-	-
27	Total Operating Expenses:	(985,969)	(34,484)	(43,739)	(375,588)	16,725	(14,251,153)	-	(15,674,208)
28	NET OPERATING INCOME	\$ 985,969	\$ 34,484	\$ 43,739	\$ 375,588	\$ (16,725)	\$ 34,847	\$ -	\$ 1,457,902

**Illinois-American Water Company**  
**Adjustments to Operating Income**  
For the Test Year Ending December 31, 2003  
Chicago Metro - Water

Line No.	Description	Subtotal Operating Statement Adjustments	Waste Disposal Contract (Not Applicable)	Rents (Staff Ex. 5.0 Sch. 5.6-CMW)	Charitable Contributions (Staff Ex. 5.0 Sch. 5.7-CMW)	Community Relations (Staff Ex. 5.0 Sch. 5.8-CMW)	Advertising (Not Applicable)	Industry Association Dues (Staff Ex. 5.0 Sch. 5.10-CMW)	Total Operating Statement Adjustments
	(a)	(z)	(aa)	(ab)	(ac)	(ad)	(ae)	(af)	(ag)
1	Operating Revenue	\$ (14,216,306)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (14,216,306)
2		-	-	-	-	-	-	-	-
3	Total Operating Revenue	(14,216,306)	-	-	-	-	-	-	(14,216,306)
4	Uncollectible Accounts Expense	(86,009)	-	-	-	-	-	-	(86,009)
5	Labor	(88,217)	-	-	-	-	-	-	(88,217)
6	Purchased Water	(14,186,124)	-	-	-	-	-	-	(14,186,124)
7	Fuel & Power	(368,928)	-	-	-	-	-	-	(368,928)
8	Chemicals	(20,586)	-	-	-	-	-	-	(20,586)
9	Waste Disposal	-	-	-	-	-	-	-	-
10	Management Fees	(38,208)	-	-	-	-	-	-	(38,208)
11	Group Insurance	-	-	-	-	-	-	-	-
12	Pensions	-	-	-	-	-	-	-	-
13	Regulatory Expense	-	-	-	-	-	-	-	-
14	Insurance - Other	-	-	-	-	-	-	-	-
15	Customer Accounting	-	-	-	-	-	-	-	-
16	Rents	-	-	(7,555)	-	-	-	-	(7,555)
17	General Office Expense	-	-	-	-	-	-	-	-
18	Maintenance - Other	(1,652,639)	-	-	-	-	-	-	(1,652,639)
19	Miscellaneous	27,711	-	-	(1,613)	(796)	-	(3,904)	21,398
20	Depreciation & Amortization	(504,299)	-	-	-	-	-	-	(504,299)
21	Taxes other than Income	-	-	-	-	-	-	-	-
22	Total Operating Expenses								
23	Before Income Taxes	(16,917,299)	-	(7,555)	(1,613)	(796)	-	(3,904)	(16,931,167)
24	State Income Tax	87,730	-	300	64	32	-	155	88,281
25	Federal Income Tax	1,155,361	-	2,539	542	268	-	1,312	1,160,022
26	Deferred Taxes and ITCs Net	-	-	-	-	-	-	-	-
27	Total Operating Expenses:	(15,674,208)	-	(4,716)	(1,007)	(496)	-	(2,437)	(15,682,864)
28	NET OPERATING INCOME	\$ 1,457,902	\$ -	\$ 4,716	\$ 1,007	\$ 496	\$ -	\$ 2,437	\$ 1,466,558

**Illinois-American Water Company**  
**Chicago Metro - Water**  
**Rate Base**  
For the Test Year Ending December 31, 2003

Line No.	Description	Company Pro Forma Rate Base (Company Schedule B-2)	Staff Adjustments (Staff Ex. 1.0 Sch 1.4-CMW)	Staff Pro Forma Rate Base (Col. b+c)
	(a)	(b)	(c)	(d)
1	Utility Plant in Service	\$ 146,823,096	\$ (1,907,087)	\$ 144,916,009
2	FAS 109 Reg. Asset-Net of Liability	250,981	-	250,981
3	Utility Plant Acquisition Adj. - Dupage	141,028	-	141,028
3	Less: Accumulated Depreciation	<u>(34,712,156)</u>	<u>(5,625)</u>	<u>(34,717,781)</u>
4	Net Plant	112,502,949	(1,912,712)	110,590,237
5	Additions to Rate Base			
6	Cash Working Capital	3,298,927	(2,042,608)	1,256,319
7	Materials & Supplies	331,313	(20,476)	310,837
8	Deferred Charges	1,665,050	(1,347,767)	317,283
9	Savings/Sharing	156,250	-	156,250
10	-	-	-	-
11	-	-	-	-
12	-	-	-	-
13	-	-	-	-
14	-	-	-	-
15	-	-	-	-
16	Deductions From Rate Base			
17	Contributions in Aid of Construction	(28,450,704)	-	(28,450,704)
18	Accum. Depr. On CIAC	7,886,367	68,281	7,954,648
19	Customer Advances	(5,705,412)	-	(5,705,412)
20	Bolingbrook Acquisition Rate Base Adj.	(12,119,864)	-	(12,119,864)
21	Deferred Federal Income Tax	(3,398,311)	636,947	(2,761,364)
22	Deferred State Income Tax	(820,596)	92,354	(728,242)
23	Investment Tax Credit - pre 197	<u>(9,999)</u>	<u>-</u>	<u>(9,999)</u>
24	Rate Base	<u>\$ 75,335,970</u>	<u>\$ (4,525,981)</u>	<u>\$ 70,809,989</u>



**Illinois-American Water Company**  
**Adjustments to Rate Base**  
For the Test Year Ending December 31, 2003  
Chicago Metro - Water

Line No.	Description	Reverse Osmosis (Not Applicable)	Accumulated Deferred Taxes (Staff Ex. 3.0 Sch. 3.2-CMW)	Disallowance of Deferred Security Costs (Staff Ex. 4.0 Sch. 4.2-CMW)	New Depreciation Rates (Staff Ex. 4.0 Sch. 4.3-CMW)	Additions to Plant in Service (Staff Ex. 4.0 Sch. 4.4-CMW)	Deferred Tank Painting (Staff Ex. 4.0 Sch. 4.6-CMW)	Working Capital (Staff Ex. 5.0 Sch. 5.1-CMW)	Subtotal Rate Base Adjustments
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1	Utility Plant in Service	\$ -	\$ -	\$ -	\$ -	\$ (1,907,087)	\$ -	\$ -	\$ (1,907,087)
2	FAS 109 Reg. Asset-Net of Liability	-	-	-	-	-	-	-	-
3	Utility Plant Acquisition Adj. - Dupage	-	-	-	-	-	-	-	-
3	Less: Accumulated Depreciation	-	-	-	(40,660)	35,035	-	-	(5,625)
4	Net Plant	-	-	-	(40,660)	(1,872,052)	-	-	(1,912,712)
5	Additions to Rate Base	-	-	-	-	-	-	-	-
6	Cash Working Capital	-	-	-	-	-	-	(2,042,608)	(2,042,608)
7	Materials & Supplies	-	-	-	-	-	-	-	-
8	Deferred Charges	-	-	(1,542,024)	-	-	194,257	-	(1,347,767)
9	Savings/Sharing	-	-	-	-	-	-	-	-
10		-	-	-	-	-	-	-	-
11		-	-	-	-	-	-	-	-
12		-	-	-	-	-	-	-	-
13		-	-	-	-	-	-	-	-
14		-	-	-	-	-	-	-	-
15		-	-	-	-	-	-	-	-
16	Deductions From Rate Base	-	-	-	-	-	-	-	-
17	Contributions in Aid of Construction	-	-	-	-	-	-	-	-
18	Accum. Depr. On CIAC	-	-	-	68,281	-	-	-	68,281
19	Customer Advances	-	-	-	-	-	-	-	-
20	Bolingbrook Acquisition Rate Base Adj.	-	-	-	-	-	-	-	-
20	Deferred Federal Income Taxes	-	172,175	518,288	-	11,776	(65,292)	-	636,947
21	Deferred State Income Taxes	-	37,596	61,064	-	1,387	(7,693)	-	92,354
22	Investment Tax Credit - pre 1971	-	-	-	-	-	-	-	-
23	Rate Base	\$ -	\$ 209,771	\$ (962,672)	\$ 27,621	\$ (1,858,889)	\$ 121,272	\$ (2,042,608)	\$ (4,505,505)

**Illinois-American Water Company**  
**Adjustments to Rate Base**  
For the Test Year Ending December 31, 2003  
Chicago Metro - Water

Line No.	Description	Subtotal Rate Base Adjustments	Materials & Supplies (Staff Ex. 5.0 Sch. 5.2-CMW)	(Source)	(Source)	(Source)	(Source)	(Source)	Total Rate Base Adjustments
	(a)	(j)	(k)	(l)	(m)	(n)	(o)	(p)	(q)
1	Utility Plant in Service	\$ (1,907,087)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (1,907,087)
2	FAS 109 Reg. Asset-Net of Liability	-	-	-	-	-	-	-	-
3	Utility Plant Acquisition Adj. - Dupage	-	-	-	-	-	-	-	-
3	Less: Accumulated Depreciation	(5,625)	-	-	-	-	-	-	(5,625)
4	Net Plant	(1,912,712)	-	-	-	-	-	-	(1,912,712)
5	Additions to Rate Base	-	-	-	-	-	-	-	-
6	Cash Working Capital	(2,042,608)	-	-	-	-	-	-	(2,042,608)
7	Materials & Supplies	-	(20,476)	-	-	-	-	-	(20,476)
8	Deferred Charges	(1,347,767)	-	-	-	-	-	-	(1,347,767)
9	Savings/Sharing	-	-	-	-	-	-	-	-
10		-	-	-	-	-	-	-	-
11		-	-	-	-	-	-	-	-
12		-	-	-	-	-	-	-	-
13		-	-	-	-	-	-	-	-
14		-	-	-	-	-	-	-	-
15		-	-	-	-	-	-	-	-
16	Deductions From Rate Base	-	-	-	-	-	-	-	-
17	Contributions in Aid of Construction	-	-	-	-	-	-	-	-
18	Accum. Depr. On CIAC	68,281	-	-	-	-	-	-	68,281
19	Customer Advances	-	-	-	-	-	-	-	-
20	Bolingbrook Acquisition Rate Base Adj.	-	-	-	-	-	-	-	-
20	Deferred Federal Income Taxes	636,947	-	-	-	-	-	-	636,947
21	Deferred State Income Taxes	92,354	-	-	-	-	-	-	92,354
22	Investment Tax Credit - pre 1971	-	-	-	-	-	-	-	-
23	Rate Base	\$ (4,505,505)	\$ (20,476)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (4,525,981)

Illinois-American Water Company  
Interest Synchronization Adjustment  
For the Test Year Ending December 31, 2003  
Chicago Metro - Water

Line No.	Description	Amount
	(a)	(b)
1	Utility Plant in Service	\$ 70,809,989 (1)
2	Weighted Cost of Debt	2.75% (2)
3	Synchronized Interest Per Staff	1,947,275
4	Company Interest Expense	<u>2,290,213</u> (3)
5	Increase (Decrease) in Interest Expense	<u>(342,938)</u>
6	Increase (Decrease) in State Income Tax Expense	
7	at 3.969%	<u>\$ 13,611</u>
8	Increase (Decrease) in Federal Income Tax Expense	
9	at 35.000%	<u>\$ 115,265</u>

(1) Source: ICC Staff Ex. 1.0, Schedule 1.3-CMW, Column (d).

(2) Source: ICC Staff Exhibit 6.0, Schedule 6.01.

(3) Source: Company Exhibit 12, Schedule C-5, page 8 of 9.

Illinois-American Water Company  
Gross Revenue Conversion Factor  
For the Test Year Ending December 31, 2003  
Chicago Metro - Water

Line No.	Description	Rate	Per Staff With Bad Debts	Per Staff Without Bad Debts
	(a)	(b)	(c)	(d)
1	Revenues		1.000000	
2	Uncollectibles	0.6050%	<u>0.006050</u>	
3	State Taxable Income		0.993950	1.000000
4	State Income Tax	3.9690%	<u>0.039450</u>	<u>0.039690</u>
5	Federal Taxable Income		0.954500	0.960310
6	Federal Income Tax	35.0000%	<u>0.334075</u>	<u>0.336109</u>
7	Operating Income		<u>0.620425</u>	<u>0.624201</u>
8	Gross Revenue Conversion Factor Per Staff		<u>1.611798</u>	<u>1.602048</u>

\$ 2,703,905  
30.65%

**Illinois-American Water Company**  
**Adjustments to Operating Income**  
For the Test Year Ending December 31, 2003  
Chicago Metro - Sewer

Line No.	Description	Interest Synchronization (Staff Ex. 1.0 Sch. 1.5-CMS)	Reverse Osmosis (Not Applicable)	Incentive Compensation (Staff Ex. 2.0 Sch. 2.2-CMS)	Non-Cost of Capital Savings Sharing (Staff Ex. 2.0 Sch. 2.3-CMS)	Cost of Capital Savings Sharing (Staff Ex. 2.0 Sch. 2.4-CMS)	Lobbying Expense (Staff Ex. 2.0 Sch. 2.5-CMS)	Tax Expense (Staff Ex. 3.0 Sch. 3.1-CMS)	Subtotal Operating Statement Adjustments
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1	Operating Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2		-	-	-	-	-	-	-	-
3	Total Operating Revenue	-	-	-	-	-	-	-	-
4	Uncollectible Accounts Expense	-	-	-	-	-	-	-	-
5	Labor	-	-	(67,592)	-	-	-	-	(67,592)
6	Fuel & Power	-	-	-	-	-	-	-	-
7	Chemicals	-	-	-	-	-	-	-	-
8	Waste Disposal	-	-	-	-	-	-	-	-
9	Management Fees	-	-	(27,352)	-	-	(2,510)	-	(29,862)
10	Group Insurance	-	-	-	-	-	-	-	-
11	Pensions	-	-	-	-	-	-	-	-
12	Regulatory Expense	-	-	-	-	-	-	-	-
13	Insurance - Other	-	-	-	-	-	-	-	-
14	Customer Accounting	-	-	-	-	-	-	-	-
15	Rents	-	-	-	-	-	-	-	-
16	General Office Expense	-	-	-	-	-	-	-	-
17	Maintenance - Other	-	-	-	-	-	-	-	-
18	Miscellaneous	-	-	(3,804)	(23,362)	54,627	(6,246)	-	21,215
19	Depreciation & Amortization	-	-	-	-	-	-	-	-
20	Taxes other than Income	-	-	-	-	-	-	-	-
21	Total Operating Expense	-	-	-	-	-	-	-	-
22	Before Income Taxes	-	-	(98,748)	(23,362)	54,627	(8,756)	-	(76,239)
23	State Income Tax	6,464	-	3,919	927	(2,168)	348	(33,505)	(24,015)
24	Federal Income Tax	54,743	-	33,190	7,852	(18,361)	2,943	(32,610)	47,757
25	Deferred Taxes and ITCs Net	-	-	-	-	-	-	-	-
26	Total Operating Expense:	61,207	-	(61,639)	(14,583)	34,098	(5,465)	(66,115)	(52,497)
27	NET OPERATING INCOME	\$ (61,207)	\$ -	\$ 61,639	\$ 14,583	\$ (34,098)	\$ 5,465	\$ 66,115	\$ 52,497

**Illinois-American Water Company**  
**Adjustments to Operating Income**  
For the Test Year Ending December 31, 2003  
Chicago Metro - Sewer

Line No.	Description	Subtotal Operating Statement Adjustments	Reallocate Power Expense (Staff Ex. 3.0 Sch. 3.3-CMS)	Reallocate Chemical Expense (Staff Ex. 3.0 Sch. 3.4-CMS)	Power Expense (Staff Ex. 3.0 Sch. 3.5-CMS)	Chemical Expense (Staff Ex. 3.0 Sch. 3.6-CMS)	Security Costs (Not Applicable)	Disallowance of Deferred Security Costs (Not Applicable)	Subtotal Operating Statement Adjustments
	(a)	(j)	(k)	(l)	(m)	(n)	(o)	(p)	(q)
1	Operating Revenue	\$ -	\$ -	\$ -				\$ -	\$ -
2		-	-	-	-	-	-	-	-
3	Total Operating Revenue	-	-	-	-	-	-	-	-
4	Uncollectible Accounts Expense	-	-	-	-	-	-	-	-
5	Labor	(67,592)	-	-	-	-	-	-	(67,592)
6	Fuel & Power	-	360,144	-	(8,784)	-	-	-	351,360
7	Chemicals	-	-	18,496	-	(4,181)	-	-	14,315
8	Waste Disposal	-	-	-	-	-	-	-	-
9	Management Fees	(29,862)	-	-	-	-	-	-	(29,862)
10	Group Insurance	-	-	-	-	-	-	-	-
11	Pensions	-	-	-	-	-	-	-	-
12	Regulatory Expense	-	-	-	-	-	-	-	-
13	Insurance - Other	-	-	-	-	-	-	-	-
14	Customer Accounting	-	-	-	-	-	-	-	-
15	Rents	-	-	-	-	-	-	-	-
16	General Office Expense	-	-	-	-	-	-	-	-
17	Maintenance - Other	-	-	-	-	-	-	-	-
18	Miscellaneous	21,215	-	-	-	-	-	-	21,215
19	Depreciation & Amortization	-	-	-	-	-	-	-	-
20	Taxes other than Income	-	-	-	-	-	-	-	-
21	Total Operating Expense								
22	Before Income Taxes	(76,239)	360,144	18,496	(8,784)	(4,181)	-	-	289,436
23	State Income Tax	(24,015)	(14,294)	(734)	349	166	-	-	(38,528)
24	Federal Income Tax	47,757	(121,048)	(6,217)	2,952	1,405	-	-	(75,151)
25	Deferred Taxes and ITCs Net	-	-	-	-	-	-	-	-
26	Total Operating Expense:	(52,497)	224,802	11,545	(5,483)	(2,610)	-	-	175,757
27	NET OPERATING INCOME	\$ 52,497	\$ (224,802)	\$ (11,545)	\$ 5,483	\$ 2,610	\$ -	\$ -	\$ (175,757)

**Illinois-American Water Company**  
**Adjustments to Operating Income**  
For the Test Year Ending December 31, 2003  
Chicago Metro - Sewer

Line No.	Description	Subtotal Operating Statement Adjustments	New Depreciation Rates (Not Applicable)	Additions to Plant in Service (Staff Ex. 4.0 Sch. 4.4-CMS)	Normalize Tank Painting Expense (Not Applicable)	Deferred Tank Painting (Not Applicable)	Purchased Water (Not Applicable)	Waste Disposal Surcharge (Staff Ex. 5.0 Sch. 5.4-CMS)	Subtotal Operating Statement Adjustments
	(a)	(r)	(s)	(t)	(u)	(v)	(w)	(x)	(y)
1	Operating Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (800,857)	\$ (800,857)
2		-	-	-	-	-	-	-	-
3	Total Operating Revenue	-	-	-	-	-	-	(800,857)	(800,857)
4	Uncollectible Accounts Expense	-	-	-	-	-	-	(4,845)	(4,845)
5	Labor	(67,592)	-	-	-	-	-	-	(67,592)
6	Fuel & Power	351,360	-	-	-	-	-	-	351,360
7	Chemicals	14,315	-	-	-	-	-	-	14,315
8	Waste Disposal	-	-	-	-	-	-	(741,792)	(741,792)
9	Management Fees	(29,862)	-	-	-	-	-	-	(29,862)
10	Group Insurance	-	-	-	-	-	-	-	-
11	Pensions	-	-	-	-	-	-	-	-
12	Regulatory Expense	-	-	-	-	-	-	-	-
13	Insurance - Other	-	-	-	-	-	-	-	-
14	Customer Accounting	-	-	-	-	-	-	-	-
15	Rents	-	-	-	-	-	-	-	-
16	General Office Expense	-	-	-	-	-	-	-	-
17	Maintenance - Other	-	-	-	-	-	-	-	-
18	Miscellaneous	21,215	-	-	-	-	-	-	21,215
19	Depreciation & Amortization	-	-	(71,006)	-	-	-	-	(71,006)
20	Taxes other than Income	-	-	-	-	-	-	-	-
21	Total Operating Expense	-	-	-	-	-	-	-	-
22	Before Income Taxes	289,436	-	(71,006)	-	-	-	(746,637)	(528,207)
23	State Income Tax	(38,528)	-	2,818	-	-	-	(2,152)	(37,862)
24	Federal Income Tax	(75,151)	-	23,866	-	-	-	(18,224)	(69,509)
25	Deferred Taxes and ITCs Net	-	-	-	-	-	-	-	-
26	Total Operating Expense:	175,757	-	(44,322)	-	-	-	(767,013)	(635,578)
27	NET OPERATING INCOME	\$ (175,757)	\$ -	\$ 44,322	\$ -	\$ -	\$ -	\$ (33,844)	\$ (165,279)



**Illinois-American Water Company**  
**Adjustments to Operating Income**  
For the Test Year Ending December 31, 2003  
Chicago Metro - Sewer

Line No.	Description	Subtotal Operating Statement Adjustments	Waste Disposal Contract (Not Applicable)	Rents (Staff Ex. 5.0 Sch. 5.6-CMS)	Charitable Contributions (Staff Ex. 5.0 Sch. 5.7-CMS)	Community Relations (Staff Ex. 5.0 Sch. 5.8-CMS)	Advertising (Not Applicable)	Industry Association Dues (Staff Ex. 5.0 Sch. 5.10-CMS)	Total Operating Statement Adjustments
	(a)	(z)	(aa)	(ab)	(ac)	(ad)	(ae)	(af)	(ag)
1	Operating Revenue	\$ (800,857)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (800,857)
2		-	-	-	-	-	-	-	-
3	Total Operating Revenue	(800,857)	-	-	-	-	-	-	(800,857)
4	Uncollectible Accounts Expense	(4,845)	-	-	-	-	-	-	(4,845)
5	Labor	(67,592)	-	-	-	-	-	-	(67,592)
6	Fuel & Power	351,360	-	-	-	-	-	-	351,360
7	Chemicals	14,315	-	-	-	-	-	-	14,315
8	Waste Disposal	(741,792)	-	-	-	-	-	-	(741,792)
9	Management Fees	(29,862)	-	-	-	-	-	-	(29,862)
10	Group Insurance	-	-	-	-	-	-	-	-
11	Pensions	-	-	-	-	-	-	-	-
12	Regulatory Expense	-	-	-	-	-	-	-	-
13	Insurance - Other	-	-	-	-	-	-	-	-
14	Customer Accounting	-	-	-	-	-	-	-	-
15	Rents	-	-	(5,788)	-	-	-	-	(5,788)
16	General Office Expense	-	-	-	-	-	-	-	-
17	Maintenance - Other	-	-	-	-	-	-	-	-
18	Miscellaneous	21,215	-	-	(1,236)	(610)	-	(2,991)	16,378
19	Depreciation & Amortization	(71,006)	-	-	-	-	-	-	(71,006)
20	Taxes other than Income	-	-	-	-	-	-	-	-
21	Total Operating Expense								
22	Before Income Taxes	(528,207)	-	(5,788)	(1,236)	(610)	-	(2,991)	(538,832)
23	State Income Tax	(37,862)	-	230	49	24	-	119	(37,440)
24	Federal Income Tax	(69,509)	-	1,945	415	205	-	1,005	(65,939)
25	Deferred Taxes and ITCs Net	-	-	-	-	-	-	-	-
26	Total Operating Expense:	(635,578)	-	(3,613)	(772)	(381)	-	(1,867)	(642,211)
27	NET OPERATING INCOME	\$ (165,279)	\$ -	\$ 3,613	\$ 772	\$ 381	\$ -	\$ 1,867	\$ (158,646)

**Illinois-American Water Company**  
**Chicago Metro - Sewer**  
**Rate Base**  
For the Test Year Ending December 31, 2003

Line No.	Description	Company Pro Forma Present (Company Schedule B-2)	Staff Adjustments (Staff Ex. 1.0 Sch 1.4-CMS)	Staff Pro Forma Rate Base (Col. b+c)
	(a)	(b)	(c)	(d)
1	Utility Plant in Service	\$ 94,769,422	\$ (1,940,059)	\$ 92,829,363
2	FAS 109 Reg. Asset-Net of Liability	192,301	-	192,301
3	Utility Plant Acquisition Adj. - Dupage	108,006	-	108,006
3	Less: Accumulated Depreciation	<u>(15,066,043)</u>	<u>35,503</u>	<u>(15,030,540)</u>
4	Net Plant	80,003,686	(1,904,556)	78,099,130
5	Additions to Rate Base			
6	Cash Working Capital	669,706	(57,873)	611,833
7	Materials & Supplies	181,415	(11,221)	170,194
8	Deferred Charges	-	-	-
9	Savings/Sharing	119,664	-	119,664
10	-	-	-	-
11	-	-	-	-
12	-	-	-	-
13	-	-	-	-
14	-	-	-	-
15	-	-	-	-
16	Deductions From Rate Base			
17	Contributions in Aid of Construction	(51,391,233)	-	(51,391,233)
18	Accum. Depr. On CIAC	12,755,648	-	12,755,648
19	Customer Advances	-	-	-
20	Deferred Federal Income Tax	(2,603,789)	143,854	(2,459,935)
21	Deferred State Income Tax	(628,741)	30,212	(598,529)
22	Investment Tax Credit - pre 1971	<u>(7,661)</u>	<u>-</u>	<u>(7,661)</u>
23	Rate Base	<u>\$ 39,098,695</u>	<u>\$ (1,799,584)</u>	<u>\$ 37,299,111</u>

**Illinois-American Water Company**  
**Adjustments to Rate Base**  
For the Test Year Ending December 31, 2003  
Chicago Metro - Sewer

Line No.	Description	Reverse Osmosis (Not Applicable)	Accumulated Deferred Taxes (Staff Ex. 3.0 Sch. 3.2-CMS)	Disallowance of Deferred Security Costs (Not Applicable)	New Depreciation Rates (Not Applicable)	Additions to Plant in Service (Staff Ex. 4.0 Sch. 4.4-CMS)	Deferred Tank Painting (Not Applicable)	Working Capital (Staff Ex. 5.0 Sch. 5.1-CMS)	Subtotal Rate Base Adjustments
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1	Utility Plant in Service	\$ -	\$ -	\$ -	\$ -	\$ (1,940,059)	\$ -	\$ -	\$ (1,940,059)
2	FAS 109 Reg. Asset-Net of Liability	-	-	-	-	-	-	-	-
3	Utility Plant Acquisition Adj. - Dupage	-	-	-	-	-	-	-	-
3	Less: Accumulated Depreciation	-	-	-	-	35,503	-	-	35,503
4	Net Plant	-	-	-	-	(1,904,556)	-	-	(1,904,556)
5	Additions to Rate Base	-	-	-	-	-	-	-	-
6	Cash Working Capital	-	-	-	-	-	-	(57,873)	(57,873)
7	Materials & Supplies	-	-	-	-	-	-	-	-
8	Deferred Charges	-	-	-	-	-	-	-	-
9	Savings/Sharing	-	-	-	-	-	-	-	-
10		-	-	-	-	-	-	-	-
11		-	-	-	-	-	-	-	-
12		-	-	-	-	-	-	-	-
13		-	-	-	-	-	-	-	-
14		-	-	-	-	-	-	-	-
15		-	-	-	-	-	-	-	-
16	Deductions From Rate Base	-	-	-	-	-	-	-	-
17	Contributions in Aid of Construction	-	-	-	-	-	-	-	-
18	Accum. Depr. On CIAC	-	-	-	-	-	-	-	-
19	Customer Advances	-	-	-	-	-	-	-	-
20	Deferred Federal Income Taxes	-	131,921	-	-	11,933	-	-	143,854
21	Seffered State Income Taxes	-	28,806	-	-	1,406	-	-	30,212
22	Investment Tax Credit - pre 1971	-	-	-	-	-	-	-	-
23	Rate Base	\$ -	\$ 160,727	\$ -	\$ -	\$ (1,891,217)	\$ -	\$ (57,873)	\$ (1,788,363)

**Illinois-American Water Company**  
**Adjustments to Rate Base**  
For the Test Year Ending December 31, 2003  
Chicago Metro - Sewer

Line No.	Description	Subtotal Rate Base Adjustments	Materials & Supplies (Staff Ex. 5.0 Sch. 5.2-CMS)	(Source)	(Source)	(Source)	(Source)	(Source)	Total Rate Base Adjustments
	(a)	(j)	(k)	(l)	(m)	(n)	(o)	(p)	(q)
1	Utility Plant in Service	\$ (1,940,059)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (1,940,059)
2	FAS 109 Reg. Asset-Net of Liability	-	-	-	-	-	-	-	-
3	Utility Plant Acquisition Adj. - Dupage	-	-	-	-	-	-	-	-
3	Less: Accumulated Depreciation	35,503	-	-	-	-	-	-	35,503
4	Net Plant	(1,904,556)	-	-	-	-	-	-	(1,904,556)
5	Additions to Rate Base	-	-	-	-	-	-	-	-
6	Cash Working Capital	(57,873)	-	-	-	-	-	-	(57,873)
7	Materials & Supplies	-	(11,221)	-	-	-	-	-	(11,221)
8	Deferred Charges	-	-	-	-	-	-	-	-
9	Savings/Sharing	-	-	-	-	-	-	-	-
10		-	-	-	-	-	-	-	-
11		-	-	-	-	-	-	-	-
12		-	-	-	-	-	-	-	-
13		-	-	-	-	-	-	-	-
14		-	-	-	-	-	-	-	-
15		-	-	-	-	-	-	-	-
16	Deductions From Rate Base	-	-	-	-	-	-	-	-
17	Contributions in Aid of Construction	-	-	-	-	-	-	-	-
18	Accum. Depr. On CIAC	-	-	-	-	-	-	-	-
19	Customer Advances	-	-	-	-	-	-	-	-
20	Deferred Federal Income Taxes	143,854	-	-	-	-	-	-	143,854
21	Seferred State Income Taxes	30,212	-	-	-	-	-	-	30,212
22	Investment Tax Credit - pre 1971	-	-	-	-	-	-	-	-
23	Rate Base	\$ (1,788,363)	\$ (11,221)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (1,799,584)

Illinois-American Water Company  
Interest Synchronization Adjustment  
For the Test Year Ending December 31, 2003  
Chicago Metro - Sewer

Line No.	Description	Amount
	(a)	(b)
1	Utility Plant in Service	\$ 37,299,111 (1)
2	Weighted Cost of Debt	2.75% (2)
3	Synchronized Interest Per Staff	1,025,726
4	Company Interest Expense	<u>1,188,600</u> (3)
5	Increase (Decrease) in Interest Expense	<u>(162,874)</u>
6	Increase (Decrease) in State Income Tax Expense	
7	at 3.969%	<u>\$ 6,464</u>
8	Increase (Decrease) in Federal Income Tax Expense	
9	at 35.000%	<u>\$ 54,743</u>

(1) Source: ICC Staff Ex. 1.0, Schedule 1.3-CMS, Column (d).

(2) Source: ICC Staff Exhibit 6.0, Schedule 6.01.

(3) Source: Company Exhibit 12, Schedule C-5, page 9 of 9.

Illinois-American Water Company  
Gross Revenue Conversion Factor  
For the Test Year Ending December 31, 2003  
Chicago Metro - Sewer

Line No.	Description	Rate	Per Staff With Bad Debts	Per Staff Without Bad Debts
	(a)	(b)	(c)	(d)
1	Revenues		1.000000	
2	Uncollectibles	0.6050%	<u>0.006050</u>	
3	State Taxable Income		0.993950	1.000000
4	State Income Tax	3.9690%	<u>0.039450</u>	<u>0.039690</u>
5	Federal Taxable Income		0.954500	0.960310
6	Federal Income Tax	35.0000%	<u>0.334075</u>	<u>0.336109</u>
7	Operating Income		<u>0.620425</u>	<u>0.624201</u>
8	Gross Revenue Conversion Factor Per Staff		<u>1.611798</u>	<u>1.602048</u>